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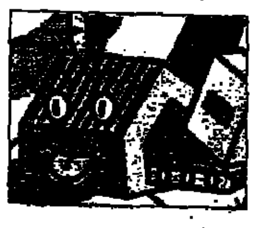

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A 10 week guide

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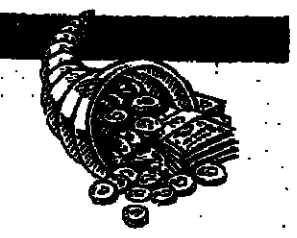

WORLD NEWS

Primakov calls for more foreign help to support reforms

Yevgeny Primakov, Russia's prime minister, said his country had sufficient reserves to avoid defaulting on its debts, but appealed for additional financial support to underpin future reforms. Page 18; Ukraine links, Page 3

Swedes face weaker government
Sweden was last night braced for a weakened minority government following the worst election performance in more than 70 years by the ruling Social Democratic party. Page 18

Rockets hit Taliban-held Kabul
As the number of Iranian troops on the Afghan border rose to 200,000, anti-Taliban forces fired rockets into the capital Kabul, killing 16 people on the eve of UN talks to resolve the militia's conflict with Tehran.

Ambrosiano founder beatified
Pope John Paul beatified 19th century Catholic entrepreneur Giuseppe Tovini who founded the Banco Ambrosiano.

Kosovans claim heavy casualties
Ethnic Albanian guerrillas claimed to have inflicted scores of Serbian police casualties in fighting in northern Kosovo but Western sources suspected the high death toll was exaggerated.

Iraq blames US for halting supplies
Iraq condemned the US for inspecting Iraqi vessels in the Gulf and said this was delaying the delivery of much-needed food and medical supplies.

Kinnock firm on Milan airport
European transport commissioner Neil Kinnock warned Italy any attempt to force airlines to move to a new Milan airport under a plan vetoed by the EU Commission last week was illegal.

Chechnya aid workers freed
Two British aid workers abducted in the breakaway Russian region of Chechnya were freed after more than a year in captivity. Page 2

Madrid in showdown on abortion
Spain's centre-right government faces a test of its parliamentary strength this week when it tries to head off an opposition bill to relax the abortion law. Page 2

Rome faces clash with Marxists
The Italian government is bracing itself for a new clash with its far left Marxist allies this week when it finalises the country's budget for 1999. Page 2

German campaign into last round
With Germany's leading politicians campaigning furiously for next Sunday's federal elections, the gap between the main parties has narrowed to the point where either could win. Page 2

Annan to unveil global politics plan
UN secretary-general Kofi Annan will today seek to capture the imagination of world leaders assembled for the opening of the 53rd general assembly with a message of global politics for the new millennium. Page 6

Duchess of York's mother killed
Susan Barrantes, the mother of the Duchess of York, was killed in a head-on collision on an Argentine provincial highway on Saturday night.

BUSINESS NEWS

Splits threaten to derail Japan's plan for banking reforms

Cracks have started to appear in the cross-party agreement on banking reform struck in Japan last week, with government and opposition divided about the future of the ailing Long-Term Credit Bank. Page 19

Nestlé, the world's biggest consumer food company, has appointed Rainer Gut, Switzerland's best-known international banker, as non-executive chairman. Mr Gut, who has chaired Credit Suisse Group for 12 years, takes over in 2000. Page 19

CLT-Ufa, Europe's biggest broadcasting group, expects to break even in 1998 after a first half in which net operating profits doubled to \$86m on sales up 7.4 per cent to \$1.6bn. Page 23

Eureko, a pan-European alliance linking six insurance groups, will announce it is pulling out of North America with the sale of its Canadian and US businesses for C\$300m (US\$200m). Page 19

Seagram, Canadian entertainment group, hopes to get European Commission clearance for its \$10.4bn bid for Dutch company PolyGram. Page 23

UAL, parent of United Airlines, has lost heir apparent John Edwardson, who quit after two unions declined to back him as the next chairman. Page 19

Yahagi, the Japanese metals group that expanded into software and temporary staffing, has filed for bankruptcy with estimated liabilities of Y3.5bn (\$26m). Page 24

Cemex, Mexican cement company, renewed its \$114.6m bid for a stake in Indonesia's partially-privatised cement company Semen Gresik. Page 23

Fuji Electric of Japan has sharply downgraded its sales and profit forecast for the year to next April. Page 24

Colombia has cut the amount of money companies must deposit with the central bank on loans from abroad, as part of efforts to take pressure off interest and exchange rates. Page 6

Hongkong Telecom workers plan an overtime ban following a weekend of street protests and petitions against proposals for a 10 per cent pay cut. Page 4

Gold Fields of South Africa said talks on the sale of its Northam Platinum mine to Anglo American Platinum Corporation had ended without a deal. Page 23

Taiwan's legislature is to consider a plan to merge the island's three biggest commercial banks, Chang Hwa Commercial Bank, First Commercial Bank and Hua Nan Commercial Bank. Page 4

China plans to build five large hydro-electric power stations costing \$7.23bn by 2010, creating significant demand for financing and equipment. Page 6

Global Investor
Funk in large tracts of the fixed income markets
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Blair to urge full overhaul of IMF and World Bank

UK prime minister says financial turmoil highlights failings of 1940s institutions

By Robert Peston, political editor, in London and Stephen Fidler in Washington

Tony Blair will today call for a comprehensive overhaul of the International Monetary Fund and World Bank, saying they have failed to provide economic stability in a world of massive cross-border capital flows.

The UK prime minister, currently chairman of the G7 group of seven leading industrial countries, will argue that the global economic and financial turmoil – which has spread from the Far East to Russia and South America – highlights the shortcomings of the two institutions.

"The existing system has not served us terribly well," said his official spokesman, who was briefing on a speech to be given today by Mr Blair at the New York Stock Exchange. "The Bretton Woods institutions are 54 years old and were set up when international capital flows were far smaller."

The UK's agenda for change, which will be fleshed out later this week when UK Treasury officials meet their US counterparts in Washington, includes the creation of a code of fiscal and financial conduct for all states seeking protection from the IMF's safety net.

The UK also wants a partial merger of the IMF and World Bank, so there is a single institution charged with supervising and regulating the world economic system.

The UK government will suggest there may be a need for big private-sector funds, such as those controlled by George Soros, to publish details of their exposures to individual economies.

Ministers are concerned that the exchange rate of the rouble fell sharply after a recent statement by Mr Soroswho was under no obligation to disclose whether he was likely to benefit from the devaluation that followed.

But Mr Blair's spokesman said: "The solution to the world's financial problems does not lie in misguided attempts to control international markets or trade."

The proposed code would require governments to publish their countries' net foreign currency exposure on a monthly basis and include a breakdown between short-term and long-term debt.

Common accounting standards would be imposed for the public and financial sectors, and there would be a requirement for securities and banking markets to adhere to common prudential standards.

"There is a need for greater openness and transparency in international dealings," said Mr Blair's spokesman. "We also want better resources and improved accountability for international financial institutions."

Mr Blair's call for reform comes as the IMF faces harsh criticism over its handling of the Asian and Russian financial crises. The issue will dominate its annual meeting in Washington at the end of the month.

Last week, the US House of Representatives rejected a request from the Clinton administration to vote for an \$18bn US contribution to a proposed \$90bn capital increase for the Fund.

The increase may still emerge out of conference deliberations between the senate, which has voted in favour of the increase, and the House. But until it does, the IMF's ability to deal with the financial crisis threatening Latin America is open to question.

Last week, President Bill Clinton called for a meeting soon of finance ministers from leading industrialised and developing nations to discuss what is called the "new financial architecture", with a view to preparing a report for next year.

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Turmoil in Paris, Page 17

A cameraman is caught in the way as police baton charge demonstrators in Kuala Lumpur yesterday Reuters

Malaysia's ex-deputy PM arrested after street protest

Anwar faces charges of illegal assembly and vandalism

By Sheila McNulty in Kuala Lumpur

Armed Malaysian police yesterday arrested Anwar Ibrahim, the sacked deputy prime minister, for alleged involvement in several criminal offences.

Kuala Lumpur police chief Kamarudin Ali said Mr Anwar would be brought to court today on a number of charges, including breach of peace, illegal assembly and vandalism after up to 60,000 supporters took to the streets to call for reform of the government.

The detention of Mr Anwar, the one-time heir apparent of Mahathir Mohamad, the prime minister, marks the end of a stand-off that began on September 2 when Dr Mahathir fired Mr Anwar and orchestrated his expulsion from the ruling UMNO party.

Police have been investigating Mr Anwar on allegations of a catalogue of offences, ranging from sodomy to treason. Mr Anwar denies all of them as part of a high-level political conspiracy targeting him for becoming Dr Mahathir's rival.

Britain's Queen Elizabeth, in Malaysia to close the Commonwealth Games in the capital, was given extra guards and police protection after protesters tried to storm Dr Mahathir's residence nearby.

Dr Mahathir had appeared to be putting off the arrest of Mr Anwar until the end of the Commonwealth Games.

But on Saturday, Mr Anwar's adopted brother and his former speechwriter were both sentenced to six months in prison by the sessions court after pleading guilty to committing acts of gross indecency by allowing themselves to be sodomised by Mr Anwar.

Mr Anwar yesterday adopted his highest-profile defence and took to the streets of the capital, first going to the National Mosque, where he swore his innocence. He then rallied a crowd estimated at between 40,000 and 60,000 at Independence Square in the centre of the capital.

As the crowd broke up, some went to Dr Mahathir's house, where the authorities fired tear gas and water cannons to disperse them before blocking off the road. Others went to UMNO party headquarters, where police said they damaged the building. Thousands went to Mr Anwar's house calling "Long Live Anwar!" and "God is Great!" and punching their fists in the air. Riot police quickly took up positions before the arrest was made.

Police also arrested an UMNO politician in connection with the disturbances. They said nobody was injured. Thousands of supporters remained with Mr Anwar's wife at her home. "I'm glad my husband was arrested as a hero," said Dr Wan Azizah. "I'm convinced my husband is innocent."

Public backlash, Page 4

White House hits at 'partisan vote' to release jury tapes

By Gerard Baker in Washington

White House officials yesterday tried to head off potential damage from today's broadcast of President Bill Clinton's grand jury testimony in the Monica Lewinsky case by saying the decision to release the material was a partisan attempt to humiliate the president.

"People may question the judgment of the people who decided to put that information ... before the American people and they may actually end up questioning the motivation, whether this was done for partisan purposes and ultimately they may question the fairness of the process that's going on on Capitol Hill," said John Podesta, White House deputy chief of staff.

The decision to go on the offensive against Republicans, who voted to release the videotape and 2,800 pages of documents relating to the impeachment case brought by Kenneth Starr, the independent prosecutor, reflected nervousness about how the public will react to today's events

Some officials fear the spectacle of a president questioned by prosecutors for more than four hours over whether he lied about a sexual relationship with Ms Lewinsky might damage Mr Clinton's standing in the eyes of the American public. While Mr Clinton is expected to be seen behaving in an aggressive and sometimes evasive manner in the tape, he is also said by those who have seen it to come across as sympathetic at times.

Tony Blair, the UK prime minister, is expected to share a platform with Mr Clinton today at New York University, but will not attempt to defend his personal conduct. Downing Street said Mr Clinton was a "good friend and ally" to Britain, but that the Starr report was a matter for Congress.

A leading Democratic senator called on Mr Clinton to go directly to the House of Representatives' judiciary committee to put his case. "I believe the president would be well-served to explain exactly what he did, exactly what he was thinking, do it to the judiciary committee, and let's vote and let's move on one way or the other," said John Kerry of Massachusetts. "The nation is being ill-served by this political water torture."

The House judiciary committee is considering whether to proceed with impeachment of Mr Clinton over allegations of perjury and obstruction of justice in his attempts to keep his affair with Ms Lewinsky secret.

Slipping in the polls, Page 5
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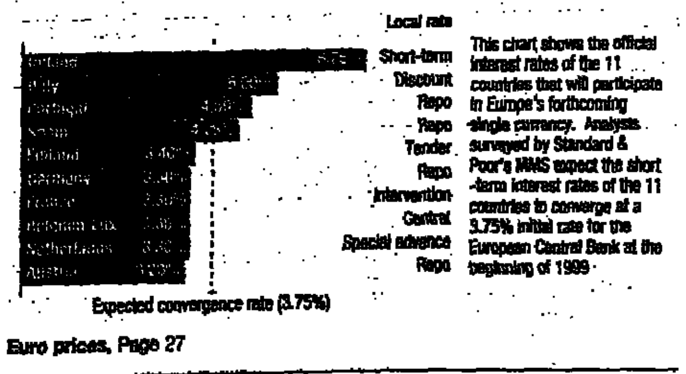
EURO INTEREST RATE CONVERGENCE



This chart shows the official interest rates of the 11 countries that will participate in Europe's forthcoming single currency. Analysts surveyed by Standard & Poor's MMS expect the short-term interest rates of the 11 countries to converge at a 3.75% initial rate for the European Central Bank at the beginning of 1999

Euro prices, Page 27

London · Leeds · Paris · Frankfurt · Stockholm · Milan · Madrid · New York
Chicago · Los Angeles · Tokyo · Hong Kong

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WORLD NEWS

EUROPE

GERMAN ELECTIONS OPINION POLLS INDICATE MORE UNCERTAINTY ABOUT THE RESULT, WITH ALL STILL TO PLAY FOR IN THE FINAL WEEK

Campaign tempo rises as Kohl narrows gap

By Peter Norman in Bonn

With Germany's leading politicians campaigning furiously for next Sunday's federal elections, the gap between the main parties has narrowed to such a degree that the usual statistical uncertainties of opinion surveys mean either could win.

Three polling organisations – Forschungsgruppe Wahlen (FGW), Emnid and Infratest/Dimap – have published projections for the September 27 elections showing that the lead of the opposition Social Democratic party (SPD) has shrunk to between 2 per cent and 2.5 per cent, within the 3 percentage point margin of error for most polls.

Last week's Bavarian election victory for the Christian Social Union, sister party of Chancellor Helmut Kohl's Christian Democratic Union, boosted support for the CDU/CSU, according to the polling companies that conducted surveys after the poll.

Although Gerhard Schröder, the SPD candidate for chancellor, remained more popular than Mr Kohl, his personal support slipped, as did that of the SPD. FGW, putting SPD support at 39.5 per cent, was the first polling group to project SPD support below 40 per cent in the federal elections.

However, the Bavarian poll and last week's controversy over whether the CDU/CSU plan to raise value-added tax have increased uncertainty among voters.

Coalition outcome hinges on fate of free-market FDP and ex-communists

FGW reported that only 71 per cent of voters were sure which party they would support; 13 per cent thought they could change their mind and 16 per cent were undecided. Infratest-Dimap found that 28 per cent had yet to decide their party preference or whether to vote – an increase of 14 percentage points in a week.

Four-fifths of voters told FGW they considered the election outcome to be open, although 43 per cent gave the SPD the best chance of winning, against 34 per cent tipping a CDU/CSU victory.

All German polling companies adjust raw survey data when compiling their polls of voter intentions. FGW alone publishes the unadjusted data on which its projection is based.

In its survey of 1,290 voters between September 14 and 17, FGW found CDU/CDU support jumped four percentage points to an unadjusted 38 per cent while the SPD dropped four points to 41 per cent. The environmental Greens held unchanged at 8 per cent. The market-oriented Free Democrat party (FDP) dropped one percentage point to 5 per cent and the former communist Party of Democratic Socialism (PDS) also lost one point to 3 per cent. Support for other parties rose 2 points to 6 per cent, with the far-right Republicans up one point to 2 per cent.

The performance of the PDS and FDP will be crucial in determining the coalition to emerge after the election.

It remains unclear whether the PDS can win the 5 per cent of votes normally needed to enter the Bundestag, the lower house of parliament. But if it secures three directly elected seats in eastern Germany it would continue to send MPs to Bonn.

That would almost certainly deprive a putative coalition of SPD and Greens of a majority and force the creation of a "grand coalition" of SPD and CDU/CSU.

The FDP, the junior partner in Mr Kohl's coalition, continues to teeter on the edge of exclusion from the Bundestag, which would mean the end of any hope of a return of the present government.

A demonstrator pokes fun at Kohl in Frankfurt on Saturday AP

Opinion polls in Germany's general election campaign

Answering the question: "How would you vote if the election were held next Sunday?" Polls published in the week ending September 19. (Change from previous week)

%	FGW	Emnid	Infratest/ Dimap	Forsa	Allensbach***
CDU/CSU	37.5 (+0.5)	39 (+1)	38 (+1)	38 (+1)	35.5 (-0.1)
SPD	39.5 (-1.5)	41 (-)	40.5 (-1.5)	42 (-1)	41.4 (+0.6)
Green	6 (-)	6 (-)	6.5 (-0.5)	7 (+1)	7.0 (-0.5)
FDP	5.5 (-0.5)	5 (-)	5.5 (+0.5)	4 (-1)	6.6 (-0.6)
PDS	4.5 (+0.5)	5 (-)	4.5 (+0.5)	4 (-)	5.0 (+0.5)
Far Right*	n.a.	3 (-2)	4 (-)	4 (-)	n.a.
Other**	7† (+1)	1 (+1)	1 (-)	1 (-1)	4.5†

*Mainly Republican, German People's Union (DVU), German National Party (NPD) **A further 24 parties will field candidates for the Bundestag ***Survey conducted before Bavarian election (Sep 13) †Includes far right

Prodi braced for clash with far-left allies

By James Blitz in Rome

The Italian government is braced for a new clash with its far-left Marxist allies this week when it finalises the country's budget for 1999.

Romano Prodi, prime minister, believes he should be able to get broad support from his coalition partners for his latest budget, which will contain the smallest fiscal squeeze Italy has seen in many years. However, his administration relies on the Reconstructed Communists (RC) for a majority in the Italian chamber of deputies. Last year, RC temporarily brought down the government during the budget debate.

After a string of annual budgets that have raised taxes in order to get Italy into the single currency, this year's proposals will contain almost no tax-raising measures and a fair number of concessions.

However, Fausto Bertinotti, leader of the RC, which is split on whether or not to attempt to bring down the government this autumn, yesterday continued to take a tough stance against the measures.

"If what the government outlined to us last Wednesday is its final offer, then a breakdown will be inevitable," he told La Repubblica newspaper.

Fears that the annual budget debate in parliament could once again be the focus of conflict has led ministers to say the document will be finalised at a cabinet meeting on Friday.

The document to be approved by cabinet is to contain L13,500bn ($8.1bn) of fiscal tightening, which the government deems sufficient to reduce the deficit to a targeted 2.4 per cent of gross domestic product next year.

Despite the turbulence in financial markets, the Treasury is confident that public finances are in good order. One reason for that confidence is that the flight into government bonds in recent weeks has reduced the yield on Italian Treasury bills, bringing down the cost of servicing Italy's large debt.

Instead, the task facing Mr Prodi this year is to convince Italians that the budget can stimulate economic growth.

The Treasury forecast in April that the Italian economy would grow by 2.5 per cent this year. Mr Prodi recently admitted that, in the wake of financial market turmoil, the growth figure would be around 2.0 per cent, one of the most sluggish rates in Europe.

Among the measures expected to be included in the budget are tax breaks for medium-sized companies that take on new staff in the south of Italy, where unemployment is double the national average of 12.5 per cent. There will also be tax breaks for first time homeowners, while 60 per cent of the Eurotax – levied as a one-off tax to get Italy into the euro – will be returned to the public.

The government has come under fierce criticism, however, for not trying to reduce the cost of its state pension scheme, the biggest burden on the spending side and the only vehicle for significant reductions in the tax burden.

Mario Monti, one of Italy's two European Union commissioners, said recently that "without pensions reform, fiscal pressure would actually increase". In his view, the growing number of elderly people in Italy is set to make the country less competitive unless reform takes place.

British aid workers freed in Chechnya

Two British aid workers abducted in the breakaway Russian region of Chechnya were freed yesterday after more than a year in captivity, Reuters reports from Moscow.

Camilla Carr and Jon James, who appeared in good health after their 15-month ordeal, made a short stop in Moscow on their way to Britain.

In July 1997 half a dozen people in masks abducted Ms Carr and Mr James in the Chechen capital of Grozny, where they worked for a Russian organisation called the Centre for Peacemaking and Community Development, helping children caught up in the 1994-96 war in the mountainous southern region.

Ms Carr and Mr Jones, who were dressed in worn clothes and carried their belongings in plastic bags, said they moved at least 14 times during more than a year of captivity.

"During the first seven months we had very little food," Ms Carr told a news conference at Moscow's Sheremetyevo airport. "We were in different places, usually in cellars.

"We had very little space and little light and sometimes the temperature was pretty awful," she added. "We spent one month in 40°C."

Sir Andrew Wood, the British ambassador who welcomed Ms Carr and Mr Jones in Sheremetyevo, said Boris Berezovsky, a Russian businessman, played a key role in winning the release of the aid workers.

Mr Berezovsky arrived in Moscow on the same aircraft as the two freed captives.

Sir Andrew said Ms Carr and Mr Jones were due to take a private aircraft later yesterday to Brize Norton, a British Royal Air Force base. He said Britain did not pay a ransom for Ms Carr and Mr Jones, but did not elaborate further.

Hundreds of hostages, including several foreigners, are currently held hostage by criminal gangs in Chechnya, which was devastated by the war.

Abortion vote set to test Aznar

By David White in Madrid

Spain's centre-right government faces a test of its parliamentary strength this week when it tries to head off an opposition bill to relax the country's abortion law.

The abortion debate comes awkwardly at a time when José María Aznar, the prime minister, is seeking to revamp his Popular party's conservative image and project it as a "centre reformist" movement.

The vote will be a cliffhanger following three consecutive tied votes on a similar bill in February. The outcome will depend on the Popular party's regionalist allies, which hold the balance of power in parliament. Being partly of Christian Democrat orientation, these parties are split on the issue and have allowed their members a free vote.

Spain's Roman Catholic Church hierarchy has rejected the bill as "radically immoral". In a pamphlet entitled "A yet wider licence to kill children", the Episcopal Conference claimed the proposed changes would violate Spain's constitution.

"A Catholic politician could never vote for this law," said its chairman, Elias Yanes.

The Church fiercely opposed Spain's original abortion legislation, which came into force under a Socialist government in 1985. The law was amended after an appeal by conservatives to the constitutional court.

Spain currently permits abortion on grounds of rape, foetal malformation and danger to the mother's physical or mental health. The last provision covers almost 98 per cent of abortions performed in Spain. Socialist attempts to liberalise these provisions further were defeated two years ago in one of the first parliamentary tests for Mr Aznar's minority government.

The new Socialist bill would add a clause legalising abortion in the first 12 weeks of pregnancy when the mother, in her own judgment, faces a risk of serious "personal, family or social conflict" by continuing with the pregnancy. The Communist-led United Left and its New Left offshoot have also tabled bills to extend the legal period – to 16 weeks in the Communist proposal – and explicitly bar medical centres from assuming the right to authorise or deny an abortion.

The Popular party has promised not to go back on the original law but says it is not necessary to widen it.

NEWS DIGEST

MILAN AIRLINES DISPUTE

Italy is warned not to use pressure over airport

Neil Kinnock, Europe's transport commissioner, warned Italy yesterday that any attempt to force airlines to move to an expanded Milan airport under a controversial plan vetoed by the Commission last week would be illegal.

"The Commission has taken its decision and I expect the Italian authorities to abide by it," Mr Kinnock wrote in the Corriere della Sera daily.

"They know that any measure to expel airlines from Linate (the existing Milan airport) would be illegal," he added.

State-owned Italian carrier Alitalia complained on Saturday that rivals were still offering flights using Linate in defiance of the government plan to switch all traffic but the Milan-Rome route to the new Malpensa airport from October 25. Linate is 15 minutes from the city centre while Malpensa is more than an hour's trek along a busy commuter road.

Alitalia has nevertheless written to the EU competition department, the Italian anti-trust watchdog and the transport ministry to demand immediate action or sanctions on airlines who are continuing to sell Linate flights past October 25. Nine airlines, including British Airways, Germany's Lufthansa and Air France had complained that the sudden shift to Malpensa gave Alitalia an unfair advantage. They have vowed to stay at Linate. **Reuters, Rome**

ALBANIAN UNREST

Protest over Hajdari killing

About 3,000 opposition Democratic party supporters marched yesterday to a cemetery outside the Albanian capital to protest over the killing last week of a leading party figure, Azem Hajdari, and his bodyguard.

The peaceful rally marked the sixth consecutive day of protests called by opposition leader and former president Sali Berisha, who blames Socialist prime minister Fatos Nano for the killings.

Tirana saw its worst violence in 18 months last week following the killings. Mr Nano's Socialist-led government has accused Mr Berisha of attempting a coup during the violence. On Friday, parliament lifted Mr Berisha's immunity from prosecution to open the way for his arrest.

The supporters, waving flowers and pictures of Hajdari, walked from Tirana's main Skanderbeg Square towards the cemetery on the fringes of the capital. They shouted anti-government slogans. **Reuters, Tirana**

BERLIN AIRPORT AUTHORITY

Hochtief consortium in bid

A consortium lead by Hochtief, the German construction giant, and the Swiss-Swedish engineering group ABB, has emerged as the favoured candidate to take over the Berlin Brandenburg airport authority (BBF).

The consortium, which also includes the Frankfurt airport authority and Bankgesellschaft Berlin, a big local bank, is believed to have bid at least DM650m ($383m) for BBF, which is owned by the city of Berlin, the state of Brandenburg and the federal government.

The owners of BBF said they would now enter into detailed negotiations with the Hochtief consortium with the aim of signing a joint letter of intent within the next few weeks.

The final stage of the sale pitched the Hochtief consortium against a group made up of IVG, a German industrial holding company, the Paris and Vienna airport authorities, Commerzbank of Germany and the French bank Caisse des Depot. **Frederick Stüdemann, Berlin**

AZERBAIJAN

Demands for Aliyev to quit

About 10,000 opponents of Haydar Aliyev, the Azeri president, marched through the streets of the capital Baku yesterday, demanding he release detained political detractors and resign from office.

Hundreds of riot troops carrying plastic shields surrounded a small square where opposition political parties gathered, and lined every step of the route of the protesters' march.

The protest was called by about a dozen political parties which are boycotting the October 11 presidential election.

They say Mr Aliyev's control over the country's Central Elections Commission will allow him to commit fraud, if necessary, to stay in power. **Reuters, Baku**

VATICAN

Bank founder beatified

Pope John Paul yesterday beatified a 19th century Catholic entrepreneur and politician who founded the Banco Ambrosiano, which 86 years later would thrust the Vatican into its worst financial scandal.

Giuseppe Tovini, who died in 1897 at the age of 57, founded two banks closely linked to the Church. One was the Banca San Paolo in Brescia, founded in 1888, and the other was the Banco Ambrosiano, founded in Milan in 1896.

By 1982, the Ambrosiano had grown to become Italy's largest private bank. When it collapsed under the weight of $1.3bn of bad debt, creditors accused the Vatican Bank of being responsible for the bankruptcy. **Reuters, Brescia**

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Stricken industry shows a flicker of life in Russia's topsy-turvy economic world

Anthony Robinson steps through the looking glass into the Alice in Wonderland domain of moribund factories that have survived on barter and are now hoping for fresh money

The 1,000km flight east from Moscow to the industrial cities of the Volga region takes visitors through Alice's looking glass into the topsy-turvy wonderland of the post-Soviet "real economy" – a surreal place that has survived the last decade by barter and non-payment of taxes, suppliers and workers.

This is the economy whose re-invigoration is a declared priority of the new Soviet government.

Here in the industrial heartland of Russia – in the string of towns and cities from Nizhny-Novgorod in the north through Saratov and Volgograd to Astrakhan, where the Volga river flows into the Caspian Sea – the prospect of looser monetary policies and a government more sympathetic to industry inspires hope rather than fear that Russia is about to take a step backwards to central control and economic planning.

In Saratov, a lively regional capital, no one from the populist and reformist governor, Dimitri Ayatskov, to the general director of the virtually bankrupt trolley bus plant expects or believes that Russia can or will return to the Soviet past. But Lenin's words about the occasional need "to take one step backwards in order to move two steps forward" are on many lips.

The directors of the moribund industrial giants of the Soviet era are busy phoning old contacts to make sure that if fresh money is made available, some at least will come their way.

"The question now is how much new money will be made available and who will decide how much goes to whom," says the director of a foreign-owned plant who, like many in the private sector, fears that the new and as yet unformulated policy will simply result in higher inflation and pay-offs among old cronies.

Among those looking forward to the changes are the managers of former military plants humiliated by what they see as the "primitivisation" of high-tech sectors of the economy.

The loss-making Saratov aircraft factory, which used to produce jump-jet fighters for aircraft carriers as well as the triple-engined Yak-42 passenger aircraft, is a typical example.

Since 1992 when "market reformers" led by Yegor Gaidar and Anatoly Chubais cut the military budget by 80 per cent overnight, military plants either have closed or have been stripped down.

Condemned to struggle to survive like the rest of the orphaned Soviet economy, former military plant directors have also reverted to the barter economy which has proved practically impervious to the collapse of the Moscow-based banking system.

This is an economic system which makes perfect sense to those brought up within the closed logic of the Soviet command economy but has little in common with a market economy as understood in the rest of the world.

Alexander Yermishin, the gravel-voiced director of the Saratov aircraft plant, would develop a civilian vertical take-off aircraft if only he had the roubles.

A scale model, looking like a flying saucer, gathers dust in one of the factories. It sits alongside a motley collection of work in progress – including three half-finished training aircraft of a new design and big red combine harvesters being assembled for the US agriculture equipment company, Case.

In the next hall of the vast complex, which used to employ 8,500 skilled workers, five triple-engined Yak-42D are being slowly put together for cash-strapped Russian airlines that pay when they can.

But with Asian and Latin American economies now in

crisis and the rouble devalued, Mr Yermishin is optimistic that the plant will now be able to win new export orders for an aircraft that first flew in 1974.

It has been re-engined and modernised and is on offer at \$25m compared with the \$38m which the director believes is the price of an equivalent Boeing 737 or Airbus 319.

The problem is that at this price range the Yak faces tough competition from rival Russian manufacturers, especially Tupolev, which is building a new model of comparable size.

Restructuring has hardly started in the Russian aerospace sector.

As European and US competitors merge, the Russian aircraft industry struggles to maintain five rival design and construction companies – Ilyushin, Tupolev, Mig, Sukhoi and Yak.

But it is at the Trolza trolley bus factory, across the two-mile-wide Volga river in Saratov's sister-town of Engels, that the problems and survival strategies of the post-Soviet "real economy" can be seen at their clearest.

In Soviet days the sprawling plant was a near-monopoly supplier of trolley buses across the entire Soviet Union. It produced more than 2,500 rugged vehicles a year with barely a modification.

Over 30 years the state foreign trade company sold more than 3,000 vehicles abroad in markets as diverse as Vietnam and Chile.

Athens now needs to replace the 350 models it bought over a decade ago. Cash-strapped Belgrade is also hoping to "buy" 40 vehicles.

In practice payment will come in the form of red peppers and whatever else the struggling Serbian economy can come up with in barter over the next 10 years.

But the plant's main hope for salvation lies in its ability to raise the \$6m it needs as working capital to start work on a \$25m contract to supply 230 trolley buses to several Russian cities financed by the World Bank.

For the last decade Trolza, a virtual industrial museum of lovingly cared-for East German presses and solid Soviet lathes a kilometre long, has just ticked over, producing around 120 vehicles a year in return for potatoes, cables and whatever could in turn be bartered for goods needed to "pay" workers, who are mainly at home. It is harvest time now and workers are being paid with potatoes.

"In the old days the ministry for public transport in Moscow ordered trolleys from us and sent them to cities across the Union," said Nikola Polyulak, the plant's director and also the biggest shareholder.

"But when Gosplan and the whole planning system disappeared, local governments were made responsible and none of them has any money. How could they, when 80 per cent of passengers have permits to travel free and the factories that needed public transport to get workers to work are closed?"

A youth peers through a wall of photographs of Eta prisoners during a demonstration in Bilbao on Saturday. Eta recently announced a ceasefire in its fight for Basque independence AP

Madrid determined to keep pressure on Eta

By David White in Madrid

The Spanish government has made clear it intends to keep up police pressure against the Basque separatist group Eta and wants to avoid being hurried into making a concrete gesture in response to the Eta ceasefire announced last week.

Jaime Mayor Oreja, interior minister, said the state could not declare a truce in return for the initiative and would arrest Eta units if it could. Eta still had to prove its goodwill both before and after the Basque country's October 25 elections, he said. Judicial actions against Eta's funding network would meanwhile continue.

The daily El Mundo said that, despite official scepticism, Eta's leadership planned to keep the ceasefire intact while seeking a political solution to the 30-year conflict that has claimed more than 800 lives.

El Mundo's source, whose comments the paper said reflected the views of Eta's hierarchy, was quoted as saying: "When you declare an indefinite, unilateral truce without conditions, you can't back out of it the following month."

José María Aznar, prime minister, returning a day early from a Latin American trip, discussed the Basque outlook over the weekend with King Juan Carlos and senior ministers, ahead of inter-party consultations due to start this week. A spokesman for the royal family said the king, who rarely meddles in politics, had been in permanent contact with government officials since Eta announced its ceasefire.

A snap poll in the daily El País showed Basque residents much less sceptical about the ceasefire than people in the rest of Spain, 57 per cent of whom thought it was a "trap". By contrast, 59 per cent of Basques interviewed believed it was sincere and 73 per cent greeted the news with optimism.

Moscow and Kiev forge new links

By Charles Clover in Kiev

Russia and Ukraine have agreed to set up a joint anti-crisis committee and pledged to re-develop lost trade links, in a sign that the economic crisis buffeting the two countries is bringing them closer together.

"We are guilty of the fact that when this started, we should have gathered together. And because of this, so far, each has been dying separately," said Leonid Kuchma, Ukraine's president, after meeting Boris Yeltsin, president of Russia, at the weekend. "We have agreed to be together, one for the other."

Last week, Mr Kuchma announced that the "best way out" of the region's economic crisis would be for Ukraine to enter a free trade zone with Russia and other countries of the Commonwealth of Independent States. He implied that any such free trade zone would replace a customs union currently in place between Belarus, Russia, Kazakhstan and Kyrgyzstan.

Ukraine has spent much of its short history as an independent state since 1991 trying to distance itself from 350 years of imperial rule by Russia. But over the past year and a half, Kiev has showed willingness to deepen co-operation with its neighbour.

In May 1997, the two countries signed a treaty of friendship, while in February, they signed an agreement designed to more than double trade over the next ten years. But with both facing financial meltdown, this growing interdependence appears to be taking on a new character.

Trade between Ukraine and Russia totalled some \$17bn last year, 40 per cent of Ukraine's total, and 15 per cent of Russia's. Ukraine imports over half of its primary energy from Russia, mainly natural gas and oil products, much in demand as winter approaches.

INDONESIAN BANKING GOVERNMENT DECISION TODAY ON CHARGES AGAINST OWNERS WHO BROKE LEGAL LIMITS ON LOANS TO THEMSELVES

Doubts over Jakarta bid to recoup $12.5bn

By Sander Thoenes in Jakarta

The Indonesian government hopes to recover some of the $12.5bn lent to failing banks today and may start prosecuting fraudulent bankers.

But analysts say little can be recovered and predict the more important change will be a removal of legal obstacles to restructuring banks.

The attorney-general's office said it would decide today whether to press charges against bank owners who broke legal limits on lending to themselves, and indicated it would get tough on any banks which failed to repay their share in Rp150,000bn ($13.5bn) in central bank credits to ailing banks.

The government has also told the Salim family, which owned Bank Central Asia (BCA)jointly with two children of former president Suharto, that they could regain a minority stake if they paid back Rp30,000bn in credits or lose all rights to the country's largest private bank.

If officials produce results today it would mark a second step in banking reforms following the closure of three banks and nationalisation of Bank Danamon, the second largest private bank, last month. The government had closed 23 banks earlier in the crisis and stepped up supervision of 48 others but did little to address their liquidity problems.

Few expect serious legal action against delinquent bank owners, including children and close friends of Mr Suharto, as many of them have close links with senior officials in the new government. "They'll just say the banks did what was required," said Umar Juoro, an economist. "If they bring the bankers to court they bring themselves to court. In the end they'll put one or two people in jail but they will procrastinate first."

Sjahril Sabirin, the central bank governor, said last week that owners had already returned Rp70,000bn, including more than Rp20,000bn from the Salim family. But he would not say how much was cash and how much was a pledge of assets.

Some bank officials said they planned only to formalise a pledge of all their assets, made earlier this year in return for central bank support. That would remove legal obstacles to transferring bank assets to a new government asset management unit. Without such a formal pledge minority shareholders could claim expropriation and sue.

Most of the transferred assets would be the loan portfolios, much of it bad debt and property. Some will offer shares in enterprises they own, but many companies have more debt than assets and shares are often pledged to other creditors.

The government promised the International Monetary Fund that it would finalise plans for restructuring and recapitalising Danamon, BCA and two smaller banks by the end of this month, including the sale of shares in BCA and possibly Danamon to foreign investors.

It also promised a long-awaited plan for saving a handful of large banks that are still liquid but face negative spreads because of high interest rates.

Mahathir underestimates the power of public backlash

Strength of support for his sacked deputy forced the premier to act during the Commonwealth Games. **Sheila McNulty** reports

When Mahathir Mohamad sacked his deputy and political rival, Anwar Ibrahim, earlier this month, he clearly never expected a significant public backlash.

But the heckles of a few hundred ardent Anwar supporters metamorphosed in barely two weeks into a gathering of 40,000-60,000 Malaysians in Independence Square yesterday demanding reform.

It was too much. Riot police dispersed the crowd with water cannons and teargas, broke into Mr Anwar's house and arrested him.

Normally, Malaysians refrain from openly discussing the country's leadership. Students are forbidden to engage in politics. Few dare criticise their prime minister, who tolerates little opposition. Yesterday evening in Kuala Lumpur normally reticent Malaysians had brazenly pushed past dozens of riot police around Independence Square to hear Mr Anwar shout through a megaphone to defend himself against allegations of sodomy and treason.

It was an embarrassing position for Dr Mahathir: near the square, Britain's Queen Elizabeth II was attending the Anglican cathedral just hours after arriving for one of the most important international events ever staged in Malaysia – the Commonwealth Games.

"Malaysians have waited long enough. We have given Dr Mahathir enough time," Mr Anwar shouted. "Enough is enough. Dr Mahathir should resign. Resign now. Save Malaysia."

"Resign Now," the crowd shouted. "Reform."

Dr Mahathir had refrained from arresting Mr Anwar for the past two weeks, although he remarked that he was breaking a law that bars more than three people gathering without a permit.

It was clear he did not want to detain his former deputy until the Commonwealth Games had ended and the Queen left on Wednesday. He wanted to avoid unrest with the eyes of the world watching. The games are Malaysia's coming-out party and Dr Mahathir was committed to ensuring they were a success. So, even as Mr Anwar rallied Malaysians by the thousands, police confined themselves to issuing parking tickets to those parked illegally around his home.

Anwar and his wife, Wan Azizah, appear before supporters in Kuala Lumpur yesterday Reuters

But the prime minister miscalculated the tenacity of the crowd. His supporters expected it would quickly disperse when the games began. Instead, the pressure became more intense.

Every night, thousands of Malaysians – Malay, Chinese and Indian – gathered at the home of Mr Anwar to listen to him angrily denounce the government that cast him out. He insisted he was being framed for becoming Dr Mahathir's only political rival.

"He picked the wrong guy," Mr Anwar shouted angrily, vowing to defend himself as long as he was free. He even joined a rally with the head of the parliamentary opposition, Lim Kit Siang.

The crowds outside his home quickly grew to 10,000 and Mr Anwar erected a 20-foot tall television screen so everyone could hear him speak. Hawkers sold soy milk in tubs marked *reformasi*, or reform. People snapped up tapes of his speeches.

As the authorities kept their distance, waiting for the Queen to come and go, Mr Anwar seized the opportunity to travel to the countryside, where he drew tens of thousands at each stop.

On Saturday two men – Mr Anwar's adopted brother, Sukma Darmawan, and his former speechwriter, Munawar A. Anees – were each sentenced to six months in jail by the Sessions Court after pleading guilty to committing acts of gross indecency by allowing themselves to be sodomised by Mr Anwar.

He has denied the allegations and said he was framed by his opponents.

Undeterred, the crowd rallied to Mr Anwar's side yesterday in Independence Square. Dr Mahathir was finally forced to act.

"A lot of people still don't believe the charges," said Fan Yew Teng, a writer and social activist. "It looks like this problem is not going away, and they [the authorities] are plainly worried. They want to contain it."

Taiwan ponders merger of three banks

By Laurence Eyton in Taipei

Taiwan's legislature is to consider a proposal to promote a merger between the island's three biggest commercial banks, Chang Hwa Commercial Bank, First Commercial Bank and Hua Nan Commercial Bank.

A new merged bank would have assets of T$3,160bn (US$91.5bn), putting it among the world's 90 biggest banks.

It would rank 22nd in size in Asia and would be almost twice the size of the Bank of Taiwan, currently the island's biggest financial institution.

A recent spate of bank mergers in the US has prompted the idea of creating a large Taiwan bank. Tremendous savings could be made on costs by merging the three, whose businesses largely overlap. In addition their combined assets would make the new bank a big regional, perhaps international, player.

The merger will be formally proposed in the legislature on Wednesday by Lin Wen-lang, an opposition member.

All three banks involved are listed on the Taiwan Stock Exchange but their original owner, the Taiwan provincial government, remains their biggest shareholder, retaining a 42 per cent stake in First Commercial, a 41 per cent stake in Hua Nan and a 30 per cent stake in Chang Hwa.

The provincial government is, however, due to be abolished in its current form on December 25 this year, after which its assets will pass to the central government. With the legislature giving impetus to merger discussions, the attitude of the Ministry of Finance towards the merger will be crucial.

A ministry statement on Saturday said that it would support the merger if it gained the approval of the managements and shareholders of the three banks.

The local stock market showed its enthusiasm for the merger on Saturday when rumours of Mr Lin's proposal turned around sentiment, which has been bearish all week.

The market saw a 2.7 per cent rise on Saturday, with the shares of all three banks involved hitting the market's 7 per cent daily upward limit.

The three banks said on Sunday that the matter was up to their shareholders to decide, but a merger would, in any case, take a long time to negotiate.

Hua Nan has a shareholders' meeting on Thursday while the other banks both have shareholders' meetings on October 17. The merger is not on the agenda of any of the meetings but is likely to be discussed.

The proposal has generated strong opposition from employees of the banks and their unions.

Currently all three banks have around 130 branches and between 6,000 and 7,000 employees. A merger is likely to result in the closure of more than 100 branches and the loss of at least 7,000 jobs.

Telecom pay cut plan in HK sparks protests

By Louise Lucas in Hong Kong

Workers at Hongkong Telecom are planning a ban on overtime today, following a weekend of street protests and petitions against the group's proposals for a 10 per cent pay cut.

The clash, which pits one of the territory's biggest employers against the bulk of its 13,800 workers and raises the prospect of strike action at the dominant telecoms operator, could set precedents as recession deepens in Hong Kong. So far, only a handful of companies have attempted to cut wages.

"People know very well that being a company with a profit of over HK$10bn ($1.3bn), [Hongkong Telecom is] really leading the way for other employers to follow suit, especially other not so profitable employers," said Lee Cheuk-yan, a member of the legislative council.

Hong Kong's maintenance of its fixed exchange rate regime has effectively devalued assets instead – both property and the stock market have seen their value halved from the peaks last year – but other business costs have proved less flexible.

For companies faced with weak demand, especially those serving clients in Asia, cost-cutting so far has centred on redundancies. Last Thursday, shortly before Hongkong Telecom unveiled its pay cut plan, the government said unemployment had reached a 15-year high of 5 per cent.

Unemployment benefits are minimal and there have already been concerns that the growing unemployment rate will hit banks with a rise in mortgage defaults, which are now tiny.

The Hongkong Telecom dispute could also have ramifications for the territory's industrial policies.

Hongkong Telecom's international direct dialling monopoly was terminated prematurely as part of efforts to liberalise the telecoms sector.

The government is due to announce next month whether or not it will award new fixed-line licences; existing operators have made clear their objections to expanding competition in the current market.

Nonetheless, analysts had thought Hong Kong would stick with its pro-competition reputation and award more licences. In the present climate, that now looks increasingly unlikely.

Pressure growing on Asia's welfare states

By Nicholas Timmins, Public Policy Editor

Many of Asia's low-spending welfare states – often cited by commentators in the mid-1990s as a potential model for the west – are under severe pressure and unlikely to be sustained, according to a study from the London School of Economics.

Public spending on social welfare, ranging from health to benefits, accounts for only just over 5 per cent of gross domestic product in Singapore and Hong Kong, 10 per cent in South Korea and Taiwan and little more than 15 per cent in Japan. In Europe the figure is 25 per cent and often much more.

But the factors which have produced low spending – chiefly enterprise welfare, where companies cover employees and often offer lifetime employment, and family welfare, where both income and caring is shared across the generations – are under mounting pressure, according to Didier Jacobs of the LSE's Centre for Analysis of Social Exclusion.

In addition, despite their younger age structure, the Asian economies all face ageing populations. The picture varies by country, as does the precise structure of their welfare systems, but all are facing serious challenges made far worse by the Asian crisis, Mr Jacobs says. "Ageing populations are putting a stress on the family as an alternative to public welfare, but equally, enterprise welfare is being put under stress by globalisation, increased competition and the current financial crises which will raise the problem of unemployment."

Unemployment is already a major issue in South Korea, he says, even though most job losses have been in small and medium-sized enterprises, not big conglomerates. Japan has only just begun to address its rapidly ageing population, and after the longest recession since the second world war the tradition of a company job for life is under pressure.

Korea and Taiwan have both passed welfare state legislation which in time will push up spending on pensions and other benefits. And while Singapore and Hong Kong face less acute difficulties, their heavy reliance on the private sector leaves them with a dramatic gap in income between the rich and poor.

"The challenge to east Asian social welfare systems is that burden carried by families and enterprises may be too heavy," Mr Jacobs says. Despite their success in recent years, "they are under a lot of pressure and are unlikely to be sustained."

Social Welfare Systems in East Asia: A comparative analysis. CASE, LSE, Houghton Street, London WC2A 2AE.

Clinton videotapes may jam internet

By Louise Kehoe in San Francisco

Millions of visitors to web sites broadcasting videotape images of President Bill Clinton before the grand jury threaten to bring the global computer network to a halt today, delaying electronic mail and erecting a temporary roadblock in the path of electronic commerce.

The internet advanced its role as a primary news medium last week, when millions of computer users logged on to read the Starr report. But the true test may come with today's release of the president's videotaped testimony.

If the tapes arouse the same level of interest as last week's 445-page document, internet traffic may be be slowed by a factor of about 200 per cent, predicts Mark Cuban, president of Broadcast.com, a leader in the emerging field of internet broadcast services.

Broadcast.com will "host" the video showing of the Clinton videotapes for CNN Interactive, the website that was first to serve up the Starr report. Other news services planning to put the videotapes on their websites include ABC, MSNBC and Fox News.

Internet news services are determined to maintain their lead over traditional media. Last week, TV stations were forced to resort to showing images of computer screens as they struggled to keep pace with the instant mass publishing capabilities of computer networks.

But television may reclaim its role today. Although video broadcasting via the internet is technically feasible, the technology is still imperfect. Pictures are often jerky and the audio may be muffled. Far easier to turn on the TV.

The size of today's internet audience is hard to predict, therefore. Timing may have a lot to do with it. The tapes are expected to be released at 9am Eastern Standard Time in Washington, which is 2pm in London. Many office workers are unlikely to have access to a television at that time, but they might want to catch a glimpse of the four hours of videotapes on their desktop PCs.

CNN Interactive is expecting a second flood of visitors at the end of the business day as computer users take advantage of its "on demand" service which enables users to view the video at their own convenience.

There are drawbacks to internet viewing. For a start, only people with up-to-date PCs will be able to view the videos online. Most PCs more than two years old will not be up to the task.

Special software is also required. Two programs – Real Player from RealNet works (www.real.com) and Windows Media Player from Microsoft (www.microsoft.com/windows/mediaplayer) will do the job. Either can be downloaded free of charge, but it takes about half an hour to install the software, depending on modem speed.

The release of the historic videotapes presents a serious challenge to the internet infrastructure. The problem is that video files are huge when they are converted into the bits and bytes of the computer world. If large numbers of PC users attempt to view the approximately four hours of Clinton tapes, they could cause a huge data traffic jam.

Unlike the Starr report available on dozens of news web sites, the videotapes will be accessible at only a few sites equipped to handle video broadcasting. Excess demand at these web sites could cause back-ps on regional networks, primarily on the east coast of the US. From there data traffic jams could spread.

Like a highway system, the internet has critical junctions. If they get clogged, the effects may quickly be felt far afield, says Mr Cuban of Broadcast.com.

"It is as if you are trying to enter a tunnel blocked with traffic," he explains. "Before long, the back-ups get so long all internet users are affected." If internet services are seriously degraded by hundreds of thousands of people trying to view the Clinton videotapes, business users may begin to worry about growing dependence upon the public computer network.

Love him or loathe him, the tapes won't change your mind

Clinton's videotape testimony is unlikely to have a decisive effect on whether he is impeached or not, says **Gerard Baker**

At 9 o'clock this morning, just as America's pre-schoolers would normally be sitting down to another episode of Arthur the Aardvark, the leading television networks will interrupt their broadcasts and begin relaying a heated four-hour exchange between several middle aged men about oral sex, genital stimulation and the meaning of the word "is".

According to those who have seen the tape of President Bill Clinton's testimony before the criminal grand jury conducted on August 17, it portrays a defensive president struggling to control his temper as his interrogators press him with detailed questions about the nature of his relationship with Monica Lewinsky. But, in between the haggling over sex and semantics it also contains moments of humour, and, say the president's defenders, portrays Mr Clinton at times in an almost sympathetic light.

Indeed, by the time the nation has had the chance to digest the extraordinary and unprecedented spectacle, the irony, according to even Mr Clinton's critics, is that it will probably have very little substantive effect on the debate about whether or not the president should be impeached.

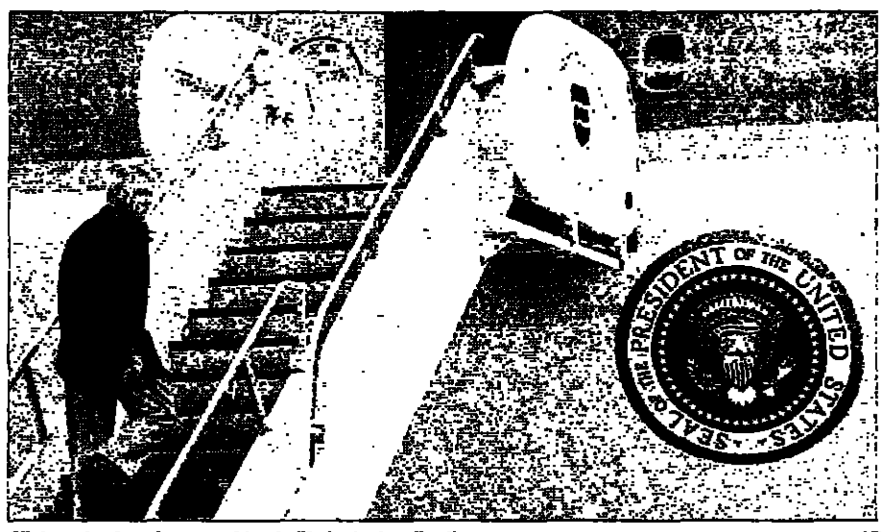
"If you like the president, there are going to be times when you feel sympathy for him. If you think he's a guy you don't like, there's going to be things you'll seize upon. But it's not going to be a knockout blow," said Lindsey Graham, a Republican member of the House judiciary committee.

Mr Graham put his finger on what the White House hopes will prove to be a critical factor in Mr Clinton's battle for survival.

Much of the public seems to divide on the issue of Mr Clinton's future along heavily partisan lines. Democrats believe he has committed a grave wrong, but do not see it as serious enough for impeachment; most Republicans want him out of office for what they see as "high crimes and misdemeanours". So far, only a small minority of Democrats agree the president's alleged crimes are impeachable.

Republicans in Congress know they have to break down this division if they are to succeed with impeachment. But this problem of partisanship in the country is exacerbated by the way in which the Congress is tackling the issue. The House judiciary committee, which will initially decide whether the offences warrant a full impeachment hearing, is one of the most sharply divided in Congress. Last week's decision to release the videotape, and more than 2,800 pages of supporting documents for the report of Kenneth Starr, the independent prosecutor, was highly partisan. Republicans voted to have almost all the material made public, while Democrats tried to block it.

Senior Republicans are concerned, as today's bizarre events unfold, they will be blamed as partisan broadcasters of sleaze, and that, as



Clinton: the American president's life looks lonelier than ever AP

it goes on, the judiciary committee's partisan conduct could damage their case against the president. A poll published yesterday for CBS News showed a sharp drop in support for the current Congress – a 12 percentage point fall in a week. Republicans know the impression of partisanship could kill off their impeachment inquiry. Democrats are aware by portraying the process as one-sided they may give themselves the one thing they have lacked in the Lewinsky affair – a political position they can defend.

The first stage of the impeachment process, therefore, the judiciary committee's proceedings, seem certain to continue to be dogged by a curious tussle over the politics. Republicans are busy praising their Democratic colleagues for being bipartisan (thereby proving their own impartiality).

"I've really been heartened by both the majority and the minority counsel, the investigators and the teams on both sides working together, side by side, pouring through these materials," said James Rogan, a Republican member of the committee yesterday.

Democrats are characterising the proceedings rather differently – as a Republican terror. "The American people expect more from the members of Congress. . . Let's give everybody an opportunity for some fairness here. Right now what we're doing is not good," said Maxine Waters, a Democrat.

President Clinton hopes that this curious spectacle – "unilateral bipartisanship", one member called it – will undermine the process itself. But there is an inexorable quality to the proceedings, and for all their flawed political nature, it far from clear they can be derailed any time soon.

Middle class Moms turn off

By Louise Kehoe in San Francisco

"I've got better things to do on a Monday morning than watch videos and read about Clinton's sex life," said the soccer dad.

The talk on the sidelines as the Icebreakers beat the Lemon Limers 1-0 this weekend would suggest only a moderate level of public interest in the Clinton-Lewinsky scandal.

No one among the group of a dozen or so parents from San Mateo, an affluent city on the San Francisco peninsula, planned to watch the Clinton videotape released today.

Some were clearly irritated by the whole topic. "I'm environmental chairman of my fishing club so I get a lot of e-mail," explained one father. "Now, I have to plough through all the Clinton jokes – pages of them – that people keep sending me."

The moms were unanimous in their revulsion at the release of "more detailed" accounts of President Clinton's affair with Monica Lewinsky. "We've had quite enough detail to know what happened. What more do we need to know?" asked one.

The prospect of the teenage girls (12- and 13-year-olds) on the field being exposed to yet more X-rated materials from Washington worried some. A drama teacher said she had been forced to rule the Clinton affair out of bounds in her sixth-grade "improv" class (11-year-olds). "They know all about it. The boys were pretending to smoke cigars..."

The consensus seemed to be that congressional Republicans were attempting to force the president to resign and that they might well be successful. Few people among this group would shed a tear over his departure, it seemed.

Clinton loses ground in polls

By Stephen Fidler in Washington

Opinion polls published over the weekend suggested a hardening of public attitudes towards President Bill Clinton in the week since the release of the report by Kenneth Starr, the independent prosecutor, which described the president's affair with Monica Lewinsky.

The main source of comfort for the White House amid the damaging revelations in the Starr report has been Mr Clinton's continued high approval rating. Yet a poll by Newsweek magazine, conducted on Thursday and Friday, found 46 per cent of people thought he should consider resigning, up from 39 per cent a week earlier. Some 41 per cent believed impeachment hearings were warranted, down from 35 per cent a week earlier.

Mr Clinton's job approval rating weakened from 61 per cent to 58 per cent, while 66 per cent of those polled believed the president lied under oath. The poll of 750 adults had a margin of error of plus or minus 4 percentage points.

A majority of those polled disapproved of the release of Mr Clinton's videotaped testimony, due to be made public today. Fifty two per cent disapproved, while 44 per cent approved.

A poll by CBS News released yesterday suggested a hardening of attitudes. According to this poll, with a similar 4 per cent margin of error, 56 per cent believed Mr Clinton should be censured by Congress, while 37 per cent favoured resignation, a slight increase from the previous week's results.

In another poll, for Fox News, just 38 per cent of those surveyed approved of the way Congress was handling the matter. Fifty per cent disapproved of the way Republicans were handling the issue, compared with 45 per cent who disapproved of the Democrats.

53RD UNITED NATIONS GENERAL ASSEMBLY KOFI ANNAN SEEKS TO PAVE WAY FOR TACKLING A HOST OF UNRESOLVED WORLD ISSUES

UN chief seeks role for millennium

By Laura Silber at the United Nations in New York

Kofi Annan, secretary-general of the United Nations, today seeks to capture the imagination of world leaders assembled for the opening of the 53rd general assembly.

His message of global politics for the new millennium is part of the fresh role Mr Annan believes the United Nations must forge for itself. "He will try to spell out a vision that takes into account the changes of globalisation, which have been on the whole positive, but these benefits are not felt equally. Millions are living on the margins," said Shashi Tharoor, a close aide. It was now time to "get the world leaders to see that there is a lot we can do collectively," he said.

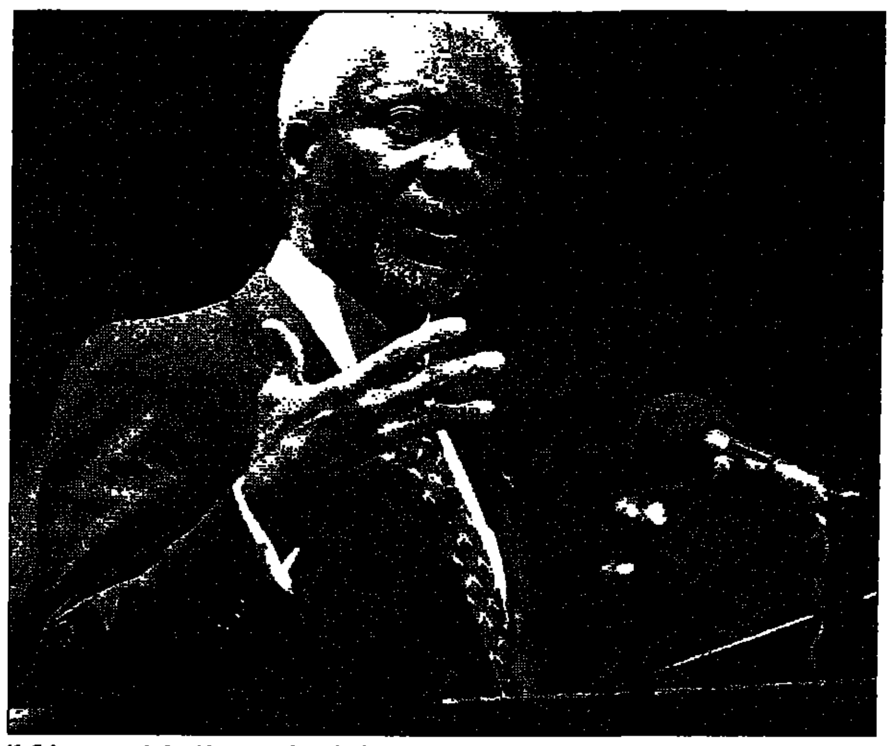
Opening his second general assembly, Mr Annan has completed some of the reforms he proposed last year. But with problems – including the reform of financing and the Security Council – unresolved, the UN is not yet the modern, solvent institution he would like it to be. The 185-member institution born at the end of the second world war is still shedding its old skin and adapting to the changed post-cold war world.

With terrorism, growing economic instability and poverty, and conflicts round the globe set to dominate the opening of the assembly, Mr Annan is seeking to map out an agenda for the new millennium.

The circumstances, however, are not ideal. Washington has no senior envoy in what is regarded as the most powerful US diplomatic post after secretary-of-state. The nomination by President Bill Clinton of Richard Holbrooke, the architect of the Dayton peace accords in Bosnia, as US ambassador to the UN is being investigated, which could leave the seat empty until next year.

The US has yet to pay some $1.6bn in outstanding dues and could lose its vote in the general assembly unless Congress approves payment.

Mr Annan's agreement with Iraq has unravelled. Last February he averted US military intervention by striking an accord with Iraq's President Saddam Hussein to allow UN weapons inspections. Baghdad has again suspended co-operation but the US this time is unwilling to threaten the use of force and is pressing Mr Annan to take the lead in seeking a solution.



Kofi Annan: not helped by an equivocal US AP

He appears reluctant to take on what appears a no-win situation. He recently joked in private that "SG" did not stand for secretary-general, but scapegoat.

Despite efforts by Mr Annan to address the plight of Africa, the situation there has deteriorated – including war in the Congo, a stalemate in Western Sahara, failure in Angola to implement fully a four-year-old peace accord and the possible resurgence of war, and an unresolved border dispute between Ethiopia and Eritrea.

Foreign ministers on Thursday will hold a Council session on Africa but, with memories of UN failures in Somalia and Bosnia still fresh, the Security Council has been loathe to approve full-scale peacekeeping missions, relying on regional organisations to do the job instead.

"There is a growing recognition that the UN is far removed from the centre – a realisation that regional organisations or powers can better resolve crises," said a western diplomat.

Mr Annan is concerned about the continuing violence by Serbia in Kosovo. The Council has done little more than demand an end to the conflict and impose an arms embargo, which is widely violated.

The Council has repeatedly addressed the conflict in Afghanistan but has made no progress.

Madeleine Albright, US secretary of state, will hold talks with her Russian counterpart and officials from the six states bordering Afghanistan. It will also mark the first meeting between senior US and Iranian officials since shortly after the revolution nearly a decade ago. The Taliban controls most of Afghanistan but they do not hold the assembly seat.

With most world leaders in New York, the general assembly has always presented an ideal opportunity for bilateral meetings although Ms Albright and her Iranian counterpart, Kamal Kharazi, do not plan to speak directly.

India and Pakistan will hold face-to-face talks, which diplomats hope could ease tensions in the wake of their recent nuclear tests. It is also the first time an Iranian president has visited the UN in a decade and it could be the last general assembly for Nelson Mandela, the South African president.

World hopes India will act on nuclear fears

By Mark Nicholson and Alexander Nicoll in New Delhi

The US, shocked by India's nuclear tests four months ago, will be searching for signs of a more conciliatory tone this week when Atal Behari Vajpayee, Indian prime minister, addresses the United Nations general assembly.

The west is hoping that his speech on September 24, as well as a round of talks expected in Washington tomorrow between US and Indian officials, will clarify India's policy on nuclear weapons. The Indian tests, quickly matched by Pakistan, thrust South Asian security and the future of the world's non-proliferation regime towards the top of Washington's foreign policy agenda.

The west is alarmed at the prospect of a nuclear stand-off between two countries which are already engaged in low-level conflict over the disputed Himalayan territory of Jammu and Kashmir.

After a separate bilateral meeting in New York on September 23 between Mr Vajpayee and Nawaz Sharif, the Pakistani premier, India and Pakistan will announce the "modalities" of a resumed series of official-level talks on a range of subjects including Kashmir as well as the security situation and confidence-building measures.

Renewed Indo-Pakistani talks would help to allay western anxieties, though the prospects of any breakthrough remain as limited as in many previous rounds.

Of equal concern to the west will be indications of Indian willingness to sign the nuclear Comprehensive Test Ban Treaty (CTBT), part of the architecture of non-proliferation thrown into jeopardy by the tests.

Strobe Talbott, US deputy secretary of state, will tomorrow hold a fifth formal round of discussions with Jaswant Singh, Mr Vajpayee's personal envoy. Though their talks cover the conditions under which India might sign the CTBT, the content has been closely guarded, with no formal record being kept.

Indian officials believe New Delhi will eventually accede to the CTBT and say they are not seeking any "textual" change to the treaty, though analysts in the Indian capital suggest a commitment to sign is unlikely to be given, for domestic political reasons, before three important state elections in November.

New Delhi is looking for a relaxation of a ban imposed by the US and other nuclear powers on exports of nuclear technology, arguing such a concession would reflect India's *de facto* status as a nuclear-armed country and is necessary to win political backing at home for entry into the CTBT.

While Mr Vajpayee, in his UN speech, is likely to emphasise what India sees as its nuclear status, he will also re-state India's long-standing call for concerted steps towards global disarmament. New Delhi sees no contradiction between these two positions, stressing its need to ensure its own national security.

NEWS DIGEST

OPENINGS FOR FOREIGN SUPPLIERS

China draws up blueprint for hydro-electric power

China plans to construct five large hydro-electric power stations costing a total of $7.23bn by 2010, creating significant demand for international financing and equipment from foreign suppliers. The plan, reported by the official media, comes as China has overcapacity in many provinces, industry executives said. The blueprint, however, envisages disproportionate growth in hydropower generation over the next 12 years as the country reduces reliance on coal-fired stations.

China currently exploits only 15 per cent of an estimated 378m kW of hydropower potential, compared with 50-90 per cent in some developed countries. Coal-fired stations generate about 70 per cent of the nation's electricity. The State Power Corp was to undertake the projects, according to the blueprint, but much foreign financing and investment would be needed. **James Kynge, Beijing**

COLOMBIAN CENTRAL BANK

Pressure eased on companies

Colombia has cut the amount of money companies must deposit with the central bank on loans obtained from abroad, as part of efforts to take pressure off the interest and exchange rates. The move, last Friday, follows a decision by Chile to cut the rate on a similar reserve requirement to zero. Both announcements follow sharp rises in the risk premiums Latin American governments and companies must pay for borrowing on the international capital market. The reduction of the reserve requirements should help offset some of this increased borrowing cost.

The Colombian central bank cut the proportion of external credit that must be lodged with it from 25 to 10 per cent. It also cut the length of time that the money must be deposited from 12 to six months. The requirement – introduced in 1993 – was reduced from 30 per cent in January. **Richard Lapper, Latin America Editor**

COPPER MARKET

Sumitomo settles class actions

Sumitomo Corp, the Japanese trading company, has agreed to pay $42.5m to settle two US class actions related to its alleged manipulation of the copper market between 1993 and 1996. In September 1996, the company revealed losses of about $2.6bn or Y285bn due to unauthorised copper trading by Yasuo Hamanaka. The settlement, which must be accepted by the California Superior Court, would conclude all outstanding class actions against the company, said Sumitomo. It vigorously denied the plaintiff's allegations under the antitrust statutes of 19 US states and denied liability or any wrongdoing.

During the first half of the financial year the company will take a $35.5m charge, equivalent to Y5bn, to cover the settlement. To make the full $42.5m payment, the group expects to use $7m from a fund set up in May as part of its settlement with the US Commodity Futures Trading Commission. In August, Sumitomo paid $99m to reach a proposed settlement with members of a class action in New York. Mr Hamanaka was sentenced to eight years in prison for forgery and fraud by a Tokyo District Court in March. **Paul Abrahams, Tokyo**

LONDON OFFICE SPACE

Call to raise limits on size of new City buildings

By Norma Cohen, Property Correspondent

The Corporation of London is expected to ask the Government Office for London – the body planning the new office of directly elected mayor – to allow new buildings in the City of London to be twice as big as the proposed tight limits.

The corporation – the municipal authority for the City of London – wants a permitted height of 100m (109 yards) or bulk of 400,000 sq ft.

Had the proposed restrictions been in effect last year, it would have delayed or halted roughly a quarter of all development in the City, said Sturt Fraser, chairman of the corporation's planning and transport committee.

The corporation will be holding a consultation exercise with property owners, developers, occupiers and investors about its response to the government's proposals on the powers of the new mayor and Greater London Authority.

In a policy document issued last summer, the Government Office for London proposed that planning applications on buildings of "strategic significance" be called in for review.

It defined those buildings as anything above 200,000 sq ft in bulk or 50m in height – about a third of the height of the International Financial Centre, formerly the NatWest Tower, the second-tallest building in the UK.

Height and bulk is a critical issue in the City, where financial services firms, the majority of tenants, increasingly want large areas to accommodate vast trading floors and buildings large enough to accommodate thousands of employees.

Last year, Merrill Lynch, the US-based investment bank, received planning permission to redevelop a 600,000 sq ft site in the City for its new headquarters. Several other developments of more than 200,000 sq ft of space have received planning permission within the past year.

"Financial companies which really need buildings need them yesterday," Mr Fraser said. The requirement to put each large building through a long consultation was likely to deter many occupiers, he said. "Ten years ago, even five years ago, 600,000 sq ft of space wasn't known about. Frankly, it's important for us to keep the Merrill Lynches of this world in the City."

There are no formal height and bulk restrictions on City buildings, although there are restrictions on those that obscure certain views of St Paul's cathedral, and rules on the preservation of historic architecture.

Mr Fraser also said the corporation was questioning the definition of a building of strategic importance. A 100,000 sq ft building could have strategic importance in some areas of London, but less so in the City, where such buildings are increasingly commonplace.

Ballot row puts pressure on Blair leadership

By George Parker, Political Correspondent

The leadership of the governing Labour party yesterday faced fresh claims that it is bending party rules to stop leftwing candidates winning places on the national executive committee, its ruling body.

It emerged yesterday that ballot papers were sent to up to 100,000 lapsed members, many of whom are thought to be newer members tending to favour Tony Blair, the prime minister.

Mark Seddon, one of six leftwing candidates challenging for a place on the NEC, said the move breached party rules and should be investigated.

The row is an embarrassment for Mr Blair, who has been accused by leftwing critics of having an authoritarian desire to stamp out criticism of his leadership at all levels of the party.

Many senior party figures have been wheeled out to criticise the candidates on the leftwing slate, most recently Neil Kinnock, the former Labour leader and EU transport commissioner.

Labour headquarters yesterday denied that as many as 100,000 ballot papers were wrongly distributed. But it could not confirm a figure.

The party blamed a "badly drafted constitution", put together when the rules were changed last year, for confusion about who was eligible to vote.

Tom Sawyer, general secretary of the Labour party, said there was "some confusion" over the membership rules.

He insisted that when the matter was drawn to his attention he took legal advice which "supported my decision to err on the side of caution in allowing the relevant individuals to vote".

Some observers in London claimed the lapsed members had partly been included in the ballot to disguise falling membership numbers.

The results of the NEC ballot will be announced at next week's Labour conference in Blackpool, in north-west England, and will be an indication of how deep-rooted the Blair revolution is in the Labour party.

Leader of opposition warned over party euro poll

By George Parker

William Hague, the leader of the opposition Conservative party, will today launch his party's internal ballot on the European single currency, amid renewed warnings from senior party figures that the exercise would be futile and divisive.

Mr Hague will be bolstered by an opinion poll which suggested he will easily win the poll of about a third of a million registered party members.

But Michael Heseltine, the former deputy Conservative prime minister, renewed his attack on the ballot – which will cost £300,000 ($495,000) – claiming it was "irrelevant" and would only confirm what was already known about the views of activists.

Mr Heseltine and Kenneth Clarke, the former chancellor of the exchequer, are expected to become increasingly vociferous in their opposition to Mr Hague in the run-up to next month's party conference.

Mr Heseltine argued that the party needed to win back former Conservative voters who switched to pro-European Labour and Liberal Democrat candidates at the last election.

"We've tried all this in government – every time we were a bit tougher on Europe our support went down," he said.

But Mr Hague will claim he was vindicated if his view that Britain should stay outside the euro during the lifetime of the next parliament is overwhelmingly endorsed.

A poll in the Sunday Times newspaper of 117 local party chairmen found 86 per cent would support the leadership. Only 10 per cent said they would vote against.

Meanwhile, Michael Portillo, former chief defence minister and ardent Eurosceptic, has indicated he hopes to make an early return to parliament in a winnable by-election.

Mr Portillo has been steadfastly loyal to Mr Hague since he lost his seat at the last election, but many Conservatives would like to see him installed as party leader.

Harsh words on manufacturing performance fail to stand up

Treasury claims of low productivity are contradicted by government data, writes **Peter Marsh**

Recent criticism by the Treasury of low productivity in UK manufacturing is belied by the government's own data indicating a big turnround in export performance by much of the sector in the past 10 years.

Figures obtained for the Financial Times by the Office for National Statistics reveal that Britain's combined mechanical and electrical engineering industries – about a quarter of which are foreign-owned – had a trade surplus last year of £3.7bn ($6.1bn) compared with a deficit of £0.8bn in 1988.

The improved performance, due mainly to an increase in exports, is part of a big improvement in the trade balance in the capital goods sector, covering a range of industrial equipment. It is the most significant turnround in trade performance of any single sector of the UK economy in the past decade.

Between 1988 and last year, capital goods exports increased from £13.01bn to £31.85bn. The increase of 145 per cent is comfortably above the 118 per cent growth in the whole of UK merchandise exports over this period.

David Kernohan, research and policy adviser at the Engineering Employers' Federation, the main UK engineering trade organisation, said the data underlined the improved competitiveness of an important part of UK manufacturing. The figures indicated that some aspects of the Treasury's criticisms of industry for low labour productivity had been "overdone".

He added: "It is unedifying to see Gordon Brown [the chancellor] bashing manufacturing industry at a time when it is under extreme pressure due to the high pound." Many of the federation's member companies have been complaining of difficult trading conditions due to the level of sterling and gathering world economic gloom.

In recent months, Mr Brown and other government colleagues have been holding seminars to alert industry to ways of improving productivity to the levels of international rivals. Studies by the McKinsey consultancy company have shown that UK labour productivity is significantly below that in other developed countries in a range of industries.

But Mr Kernohan said the improved trade performance showed that labour productivity figures gave only part of the picture, with companies' ability to maximise output from a fixed amount of capital investment also being important.

John Walker, chairman of Oxford Economic Forecasting, a consultancy, said the trade data indicated "improved competitiveness" by a big part of industry. "The trade figures [in the past decade] have held up better than many of us thought, though there is a danger of the improvement being messed up by the appreciation in sterling."

Since 1988, Britain's capital goods industry, which encompasses a large swathe of manufacturing from taps to tractors, has been among the largely unsung success stories on the export front. Capital goods exports (which do not include cars) have increased nearly 2½ times to £31.8bn last year, comfortably above the rate for the increase in Britain's total merchandise exports.

The industry's performance is one of the main reasons why Britain's total deficit on manufactured goods shrunk from £15.3bn in 1988 to £8.8bn last year.

Prospects for the next few years look less rosy. As the high pound has cut into manufacturers' export margins, many engineering companies are struggling to keep up overseas sales. The result is likely to be a narrowing of the capital goods surplus this year and next.

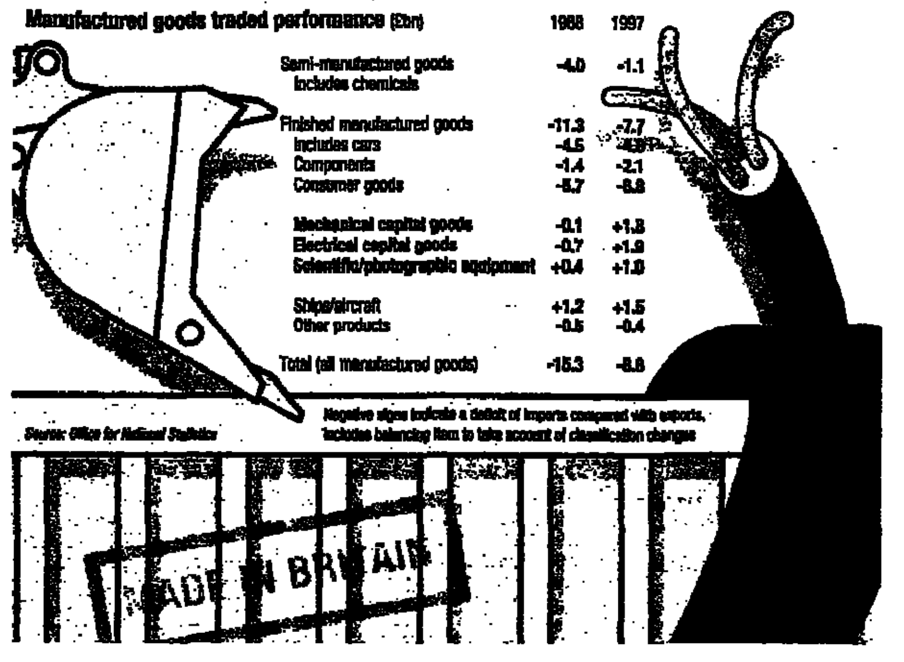
Unpublished findings from the National Institute of Economic and Social Research, an economics think-tank, indicate that roughly one-eighth of the improved export performance of the whole of manufacturing since 1988 has been due to inward investment.

This percentage is likely to have been significantly higher for the UK capital goods sector, as opposed to manufacturing generally, on the grounds the sector has seen a large volume of inward investment from US, Japanese and German companies.

Engineering shake-up, Page 20

Making progress

Manufactured goods traded performance (£bn)



	1988	1997
Semi-manufactured goods includes chemicals	-4.0	-1.1
Finished manufactured goods	-11.3	-7.7
Includes cars	-4.5	[illegible]
Components	-1.4	-2.1
Consumer goods	-5.7	-8.8
Mechanical capital goods	-0.1	+1.3
Electrical capital goods	-0.7	+1.9
Scientific/photographic equipment	+0.4	+1.0
Ships/aircraft	+1.2	+1.5
Other products	-0.5	-0.4
Total (all manufactured goods)	-15.3	-8.8

Source: Office for National Statistics

Negative signs indicate a deficit of imports compared with exports. *Includes balancing item to take account of classification changes

THE WEEK AHEAD

DIVIDEND & INTEREST PAYMENTS

■ **TODAY**
Abbey National Treasury Cno-Tec 10 Lkd Gtd Nts 2006 FFr135.0
Abtrust Scotland Inv 1.3p
Alcan Aluminium $0.15
Anglovaal R0.17
BPI Cap Fin Ser B Step-up FRN Gtd N/Vtg Pf $0.45
Beacon Inv Tst 1.7p
Birmingham Midshires Bldg Scty FRN 2000 £202.81
British Telecom 11.45p
Commonwealth Bank of Australia 13¾% Bd 1999 A$137.50
Heiton IR2.8p
M & G Equity Inv Tst 0.99p
Do Package Units 0.99p
Nash (Wm) 2.7p
SGW Fin 13¼% Gtd Nts 2001 A$331250.0
Sotheby's Class A Lim/Vtg $0.10
Westpac Sec Admin Class A Mtg Bckd FRN 2028 $1298.34
Do Class B $1552.96
Wren 1.75p

■ **TOMORROW**
Enron $0.2375
Eve 4.7p
Nihon Doro Kodan 7⅝% Gtd Bd 2004 $381.25
Oriental Restaurant 2.4p
Peoples Rep of China 4⅜% Nts 1998 Y43750.0
Royal Dutch Petroleum FL1.36
Southern Vectis 2.3p
Yokohama 7⅝% Gtd Bd 2004 $76.25

■ **WEDNESDAY SEPTEMBER 23**
Eksportfinans Sb FRN 2002 $28.45
European Inv Bank 11% Ln 2002 £275.0
First National Bldg Scty Fltg Rate Perm Int Brg £50.98
Standard Chartered Bank Sb FRN 2006 $1555.69
Yeoman Inv Tst 6.25p

■ **THURSDAY SEPTEMBER 24**
Asian Dev Bank 10¼% Ln 2009 £256.25
Birmingham Midshires Bldg Scty Sb FRN 2005 £41400.0
Boots 10⅛% Bd 2017 £2531.25
Bradstock 1.4p
British Land 8⅞% 1st Mtg db 2035 4.4375p
Field 7p
Greenalls 11½% Db 2014 £5.75
Do 7% Cv Sb Bd 2003 3.5p
Guaranteed O'seas Loan Fin (No 1) FRN 2007 £3887.95
Int Bank for Reconstruction & Development 9½% Ln 2010 £4.75
Kansai Int Airport 7⅝% Gtd Bd 2007 £73.75
Midland Bank Und Prim FRN (Sep 1985) $306.67
Robert Wiseman Dairies 2.71p
Sidlaw 7½% Un Ln 2003/08 £3.75
Spain 11¾% Ln 2010 £293.75
Standard Chartered Und Prim Cap FRN £100.82
Treasury 2½% IL 2001 £2.547
Woolwich FRN 1999 £200.07

■ **FRIDAY SEPTEMBER 25**
ABF Invs 7½% Un Ln 1987/2002 1.875p
Australian Opportunities Inv Tst 1.6p
BLP 2.75p
Bailey (Ben) 0.9p
Bickerton 0.5p
British Land 8⅞% Bd 2023 £443.75
Do 12½% Bd 2016 £625.0
Cranswick 8.25p
Daiwa Und Gtd FRN Y1361096.0
Fleming Worldwide Inc Inv Tst 1p
Do Units 1p
Grafton IR10.5p
HIH Cap 7½% Cv Cap Bd 2006 £187.50
Henderson Electric & Gen Inv Tst 2.15p
Hercules $0.27
Jupiter Geared Cap & Inc Tst 1999 1.4p
Konica 7¼% Nts 1998 Y725000.0
Kvaerner 10⅝% Bd 2006 £106.25
Mansfield Brewery 11½% Db 2010 £5.75
Marston Thompson & Evershed 10¼% Db 2012 £5.125
M & G Recovery Inv Tst 1p
Do Geared Units 1p
Do Package Units 1p
NationsBank $0.38
New London Cap 6p
New Zealand 11½% 2014 £287.50
Northern Electric 12.661% Bd 1999 £633.05
North Midland Construction 1.5p
Porvair 2.3p
TNT Post FL0.30
Treasury 8% 2009 £4.0

■ **SATURDAY SEPTEMBER 26**
British Land 6% Sb Irrd Cv Bd £30.0
Exchequer 12¼% 1999 £6.125
North British Housing 8⅝% Gtd Sec 2016/20 £4.3125
Treasury 13¼% 2004/08 £6.75
Vaux 9⅞% Db 2015 £4.9375
Do 10¾% Db 2019 £5.375
Do 11¾% Db 2010 £5.875

■ **SUNDAY SEPTEMBER 27**
Mersey Docks & Harbour 6¾% Rd Db 1996/99 £3.375
Treasury 8% 2013 £4.0

UK COMPANIES

■ **TODAY**
COMPANY MEETING:
Drew Scientific, 90, Fetter Lane, E.C., 11.30
BOARD MEETINGS:
Finals:
Avocet Mining
Cairngorm Demutualisation
PizzaExpress
Rage Software
Interims:
Arcon Int Res
Bemrose
Caldwell Invs
Eurotunnel
IS Solutions
Jacks (Wm)
Mayborn
Moorfield Estates
Policy Master
Roxboro
Taylor Nelson
Transtec
Vanguard Medica
Wellington

■ **TOMORROW**
COMPANY MEETINGS:
Park Food, Tranmere Rovers FC, Prenton Park, Prenton Road West, Birkenhead, 12.00
Wilshaw, Richmond Hill Hotel, Richmond, Surrey, 11.00
BOARD MEETINGS:
Finals:
Benchmark
Gyrus
ICM Computer
Powerscreen Int
Interims:
Aquarius
Breedon
CrestaCare
French Connection
Metalrax
Oxford Glycosciences
Sytner
Tarmac
Tesco
Tudor
Utd Industries

■ **WEDNESDAY SEPTEMBER 23**
COMPANY MEETING:
British Biotec, Insurance Hall, 20, Aldermanbury, E.C., 11.00
BOARD MEETINGS:
Finals:
Barratt Devs
Kier
McBride
Northamber
Schroder Ventures
Interims:
Avis Europe
Biocompatibles Int
Bowthorpe
Brake Bros
Dawson Int
Densitron
Lilleshall
Quality Software
Ryan Hotels
Silentnight
Sun Life & Provincial

■ **THURSDAY SEPTEMBER 24**
COMPANY MEETING:
Tinsley (Eliza), Botanical Gardens, Edgbaston, Birmingham, 10.30
BOARD MEETINGS:
Finals:
Diageo
Vision
Interims:
Chiroscience
Hat Pin
Hewden-Stuart
Norcor

■ **FRIDAY SEPTEMBER 25**
BOARD MEETING:
Interim:
Cox Insurance

Company meetings are annual general meetings unless otherwise stated. Reports and accounts are not normally available until approximately six weeks after the board meeting to approve the preliminary results. This list is not comprehensive since companies are not obliged to notify the Stock Exchange of imminent announcements.

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INSIDE TRACK

INTERVIEW MARCUS WALLENBERG, INVESTOR

A long-term steward

In spite of a burst of activity, the Swedish business dynasty is not changing direction, **Tim Burt** learns

No one at Investor could or would explain. Why is Marcus Wallenberg nicknamed "Husky"?

There is nothing remotely husky about the demeanour of Investor's deputy chief executive, one of the most powerful members of Sweden's Wallenberg business dynasty. And there is nothing of the pack animal in his business dealings at Investor, the Wallenberg family's main investment vehicle.

"It is a childhood thing, something he does not talk about," says one Investor insider.

Mr Wallenberg draws the line at discussing such family matters, confining himself instead to the business in hand – the performance of the Investor portfolio, which holds controlling stakes in companies accounting for more than 40 per cent of the Swedish stock market.

Like many of his fellow executives, Mr Wallenberg has been greatly exercised by negative stock market sentiment towards Investor. Its shares have fallen more than 30 per cent during the past three months and it has traded at a discount to net assets for as long as most analysts can remember.

Critics of the Investor regime, which has held stakes in companies such as engineers SKF and Atlas Copco since 1916, claim it has been slow to react to market turmoil. They argue that Investor would be better broken up into smaller investment trusts, each focusing on areas of industry, venture capital or start-ups.

Mr Wallenberg – a board director of eight companies in the Wallenberg portfolio, including telecoms giant Ericsson, and Astra, the pharmaceutical group – listens politely to such criticism. Then he cuts it dead.

"Listen, we are not going to become a mutual fund or investment trust. That is not an option and it completely ignores our long-term perspective towards industry." That lies at the heart of the Wallenberg philosophy.

Almost every member of the family has been schooled in the long-term mantra: selling down stakes in underperforming stocks is anathema. Businesses deserve turning round, says Mr Wallenberg; they do not benefit from crude financial engineering.

In recent months there have been signs of a fresh wind blowing through Investor, following the appointment last year of Percy Barnevik as chairman.

Mr Barnevik, the first non-family member to hold the title, was brought in by Peter Wallenberg – the family patriarch and Marcus's uncle – to prepare Investor for the 21st century.

The Swedish industrialist, famed for his restructuring of engineering group ABB, has done so by introducing the so-called Barnevik "triple jump". First, a business is restructured; failing that, the management is changed; lastly, you either sell out or merge it.

In short order, administering that medicine has seen Investor sell a 35 per cent stake in Saab Aerospace to British Aerospace, while floating the remainder. Stora, the paper group, has announced a $8.5bn merger with Enso of Finland. Astra has renegotiated its US joint venture with Merck. The chief executive of SKF has been dismissed.

'If the world around us is spinning faster and faster, we must react'

And overseas directors and new corporate governance rules have been adopted by Investor companies.

Mr Wallenberg, however, denies that the burst of activity signals a change of direction or an end to the family's affection for long-term holdings.

"I see no contradiction in acting faster while maintaining the long-term view," he adds. "If the world around us is spinning faster and faster, we must react. But we will not leave companies simply because their sector is out of fashion."

He also plays down the Barnevik effect. "Had it been my uncle or Percy facing this situation, the decisions would still have been taken. Percy has a different way of working and he adds a global perspective. But it is not a revolution."

Mr Wallenberg, deputy chairman of aircraft group Saab and papermaker Stora, adds that some of the recent deals underline the family's determination not to exit stocks which many analysts regard as low margin and mature.

Saab, he maintains, can play a leading role in the consolidation of the European defence industry and has some world-leading aerospace technology. Stora, meanwhile, has emerged as Europe's largest volume paper group in combination with Enso and promises strong growth in a highly fragmented industry.

"We don't hold on to companies for nostalgic reasons. But we give them a chance to change for the better – that is what they are all striving for."

One investment banker says Marcus has assumed responsibility for championing the family values within Investor, along with cousin Jacob, who joined Investor's board this year.

"They believe if they just cut and thrust like any other institutional shareholder, they would make short-term gains at the expense of industrial influence which has taken almost a century to build," according to the banker, who asked not to be named.

Another adviser says Marcus and Jacob – both being groomed as possible successors to Mr Barnevik – manage the business in a rather feudal manner, expecting strong loyalty and service from those below them.

"They have a huge fear of screwing it up, and regard their current roles as heirlooms which must be preserved for the next generation," he adds. "But they also realise the world has changed since Peter's days as chairman, and they have got to modernise it."

Marcus and Claes Dahlbäck, Investor's long-serving chief executive, intend to do so by placing up to 15 per cent of Investor's SKr100bn (£7.6bn) portfolio in private equity investments, leveraged buy-outs of medium-sized businesses and start-up companies.

So far, about SKr7bn has been invested in that effort, mostly outside Sweden. "We are doing quite well on the private equity side, but new investments take time to deliver," says Mr Wallenberg. "We are also trying to beef up resources to find more investments in information technology and healthcare – two of our main growth areas."

In the meantime, he emphasises that Investor will continue to refresh its portfolio – as it has done during 80 years.

"We have been through an intensive period and we are doing our best to perform," says Mr Wallenberg. "But we are not going to change our ownership philosophy, you will have to wait a long time for that."

Marcus Wallenberg: Essential Guide

Dispatched abroad: Unlike his father and forefathers, Marcus Wallenberg arrived in the boardroom of Europe's most powerful industrial dynasty after a financial apprenticeship almost exclusively overseas.

With cousin Jacob – chairman of Skandinaviska Enskilda Banken – Marcus was dispatched to the US soon after graduating from the Royal Swedish Naval Academy in the late 1970s.

Turbo-charged: Although his stint at Georgetown University was intended to broaden horizons, Marcus underlined his Swedish roots by arriving on campus in a black Saab, with "Husky" on the number plate.

Finishing school: Marcus obtained a BSc in international business before beginning his career. Peter Wallenberg, his uncle and patriarch of the family empire, was determined that "the boys" – as Marcus and Jacob were known – would cut their management teeth in a non-Swedish environment.

For Marcus, that meant a rapid "finishing school" at some of the world's largest financial institutions. Between 1980 and 1985, he worked at Citibank in New York, Deutsche Bank in Frankfurt and Hamburg, S.G. Warburg in London and Citicorp in Hong Kong.

Takes advice: "Marcus does not profess to be an intellectual or the smartest person around," recalls one London banker. "But he proved very shrewd and willing to take time to listen to the right advice."

Since then, the 42-year-old sailing and hunting enthusiast has been a central fixture of the Wallenberg portfolio. He served his time at SE-Banken in Stockholm and London, before gaining manufacturing experience in the early 1990s at the German subsidiary of Stora, the Investor-controlled paper group.

Crown prince: He has emerged – along with his cousin Jacob – ready to assume the top Wallenberg job should it come his way.

MANAGEMENT MENTORING

Many a pitfall in the path of the adviser

It can be torture for a protégé. **Victoria Griffith** is advised on what makes a successful mentor

Everyone is talking about mentors these days: it seems you must be one *and* have one to get ahead. Yet according to Chip Bell, author of *Managers as Mentors**, recently published as a paperback, most attempts at mentoring are so clumsy, they turn into torture sessions for the protégé.

Some mentors fail because they are too patronising, says Mr Bell, others because they are too overbearing. One of his early mentors was a disaster because he was too helpful. "He was so concerned about me making a mistake that he would rush in and rescue me before I had a chance to figure it out on my own."

Even positive qualities can be problematic. Mentors should beware of the role of comedian, for example, as it can get in the way of learning. "A few jokes can crack the ice," says Mr Bell. "But if there's more laughter than learning, there's a problem."

Mentors can also lead their protégés astray by doing too much cheerleading. Short-term excitement quickly dissipates, Mr Bell explains, if the protégé gains a false sense of security.

Getting the relationship right is vital for mentor and protégé alike, as companies increasingly see such on-the-job guidance as the best way to train employees. The success of General Electric of the US is sometimes attributed to chairman Jack Welch's success as a mentor. "Jack Welch knows just how to get the best out of people by encouraging them to learn as they go," says Mr Bell.

The best way of becoming a good mentor, he says, is to become a good listener, push employees to take risks, and give good feedback. Constructive criticism is just as important as encouragement. "A lot of people think being a good mentor means never saying anything negative. What that does is just create a dishonest relationship."

Establishing rapport is important. Even very different individuals can usually find common interests. Mr Bell describes the relationship between Jack Gamble, an outgoing southerner, with Tracy Black, a sombre northerner, at a Georgia plant of computer company Gracie-Omar. The two discovered they shared an interest in hunting. Exchanging copies of the hunting magazine Field and Stream helped bridge the gap.

The role of the mentor is changing, says Mr Bell. As corporations become more decentralised, mentoring may need to be conducted long distance. Some relationships may be completely milked in a few sessions; others may flourish over a decade. Some managers, however – perhaps as many as 30 per cent, in Mr Bell's estimation – will never be good mentors because they do not relate well to other people. The rest need a lot of guidance.

The hierarchical nature of mentoring is disappearing as organisations flatten. The ideal teacher is not necessarily someone a few rungs up the ladder. One of the most successful learning relationships Mr Bell says he has seen was the general manager of a Marriott hotel, who asked an entry-level front desk clerk to help her improve her presentation to customers.

"The manager had an abrasive style, and saw in the desk clerk something she could learn from. A mentor doesn't necessarily have to be your superior."

** Managers as Mentors by Chip Bell. Published in US by Berrett-Koehler ($16.95). UK by McGraw Hill (£12.99). Or FT Bookshop: FreeCall 0500 500 635 (UK) or +44 181 324 5511 (outside UK). Free p&p in UK.*

Are you a good mentor?

1 When it comes to celebrations, most organisations need:
A fewer B more
2 When I evaluate people, my decisions are based on:
A mercy B justice
3 Leaders should be more concerned about employees':
A rights B feelings
4 When people I depend on make mistakes, I am typically:
A patient B impatient
5 In general, I prefer:
A the theatre B a party
6 In a conflict, my emotional fuse is usually:
A long B short
7 I prefer to express myself to others in ways that are:
A indirect B direct
8 When I am blamed for something I did not cause, my initial reaction is to:
A listen B defend
9 People are likely to see me as:
A firm B warm
10 My work and social life are:
A separate B often overlap

More than five Bs? *You are probably a great mentor, although you should be careful not to overwhelm your protégé.*
Fewer than five Bs? *You will have to become more open and candid to be a good mentor.*

LUCY KELLAWAY

The wise company of fools

Modern bosses are surrounded by people who are either sycophants or enemies; what they need is someone who will tell them the truth

Ageing Manager seeks appointment as court jester or fool to chief executive of large public company. Will provide own bladders and fool's cap.

This curious advertisement caught my eye in Director magazine. I faxed the number and tracked down the jester who turned out to be a military type who had done time in a couple of multinationals. According to him, chief executives need fools just as much as kings used to. Modern bosses are surrounded by people who are either sycophants or enemies; what they need is someone who will tell them the truth, be their conscience. That someone needs to be outside the hierarchy, fearless and worldly wise. In short, he or she needs to be a fool.

Great idea, I said. How many far-sighted chief executives have responded to the ad? Er, only journalists so far, he said.

And that is just the trouble. Chief executives may *need* fools, but they are most unlikely to *want* them. The last thing the average chief executive wants to be reminded of as he sits trying to pen his annual message to shareholders is the truth. It is surely bad enough balancing all the demands of the job without an irritating voice reminding you of all the things you are working so hard to forget.

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Think. What is so great about your job and your employer? Got it? Good. Write it down in a snappy phrase, and you have created a brand. Not any old brand, an EVP, an Employee Value Proposition. This idea comes from McKinsey and is intended to help companies hire and keep the best people.

According to the Harvard Business Review, McKinsey has been addressing the problem of nurturing talent.

The consultant has come up with several ideas: pay the best people well, weed out the mediocre, make line managers responsible for developing those below them. These suggestions are so obvious that surely you don't need to be McKinsey to come up with them. Thus the consultant has tacked on this fancy EVP idea. "It's a brand positioning aimed at employees rather than customers," is how a principal at McKinsey puts it.

All of which reminds me of something the great Peter Drucker said to Fortune magazine. According to him 90 per cent of all jobs are boring and repetitive. It is because managers are so bored, says Drucker, that they succumb so easily to every new craze.

Were Drucker to think up an EVP it would along the following lines: "Come work with us. We are so bored that we spend our lives thinking up EVPs".

***

I like the UK government's idea of encouraging companies to set up libraries for their workers. It would not cost much: most of the books could be supplied by the workers – all those Stephen Hawking and Don DeLillo that you know you are never going to read. The public library no longer fits in with most workers' lives: it is always closed due to staff shortages, and most of the books have their pages glued together with baked beans – or worse.

Less bright is the books-for-babies idea. Retailers Sainsbury's and Boots are trying to suck up to the government by giving books to the under-ones. In my experience the under-ones love books; that is, they love to chew them and tear them.

There are lots of explanations for the fact that we Brits are so illiterate. Our failure to start reading while still in nappies happens not to be one of them.

***

Today's post brought a letter from Sir Stuart Hampson, the boss of the John Lewis stores and chairman of something called the Centre for Tomorrow's Company.

"Dear Ms Kellway" (sic), he wrote. "I am writing to extend you a personal invitation to be associated with Tomorrow's Company. There is increasing evidence that we are succeeding in making 'inclusiveness' part of the language of business."

So far so bad. One spelling mistake, one grammatical mistake, one stylistic nightmare.

Then I realised this very personal invitation was for me to part with my money. Not only does this organisation need funding for research, it needs to "provide speakers for platforms (over 100 a year)". The idea that I should give money so they can pay some jumped-up expert to preach inclusivity (inclusiveness? both nouns are dreadful) takes some beating. This was the fourth request for money in four hours. The others were from: my old college; the junkie who camps out at the bottom of our street; and a man in the Underground shaking a can. So far I have given nothing to any of them. But the first three at least made me feel guilty.

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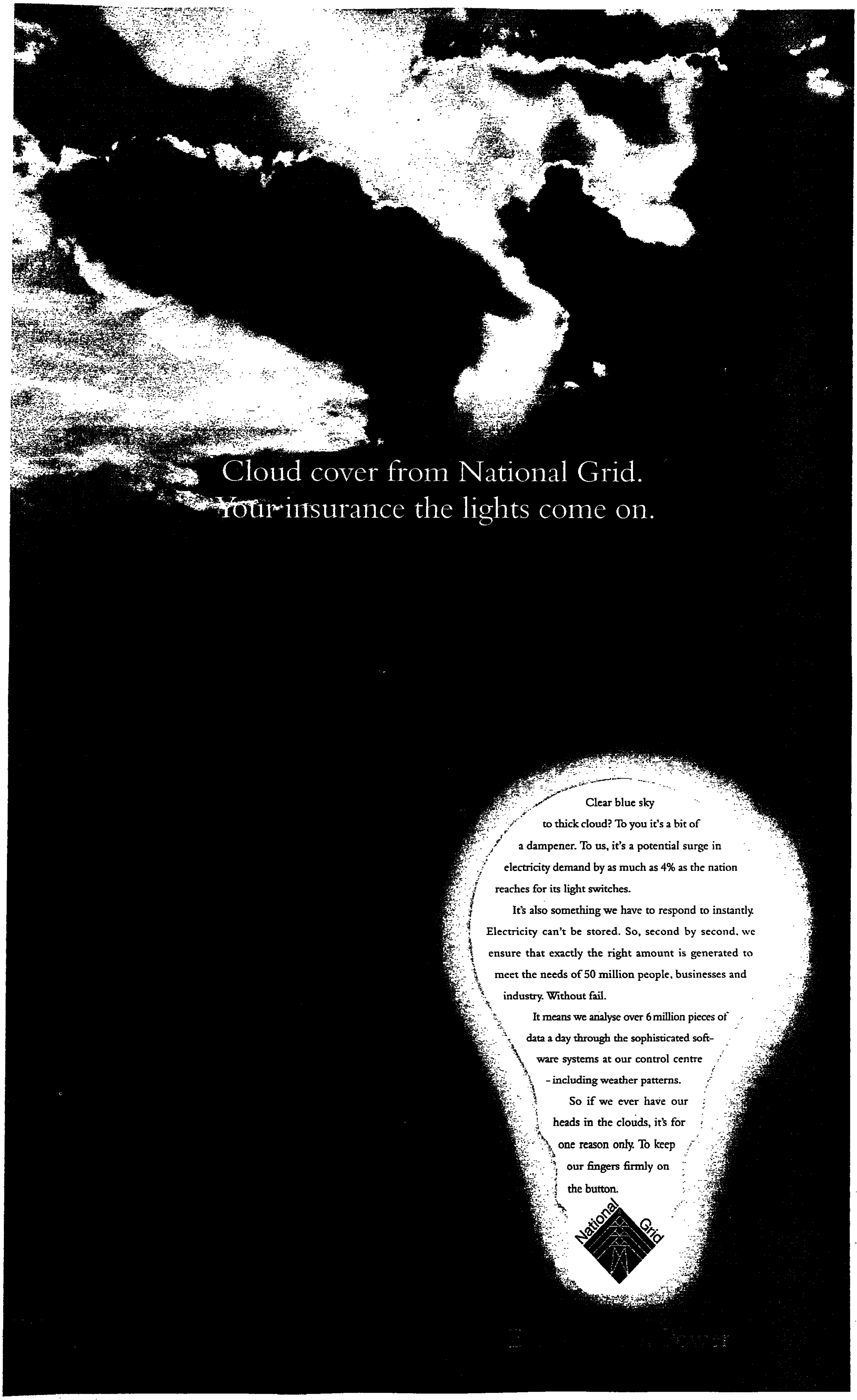


INSIDE TRACK

BUSINESS EDUCATION LAURA TYSON

Political mover ready to shake up Berkeley

Christopher Parkes finds Clinton's former economic adviser has firm ideas on how to move the Haas School up the rankings

A gaggle of international socialist students is doing its bit to maintain UC Berkeley's radical traditions. In baggy pants, ragged haircuts and fine voice, they can just be heard beyond the fire exit, ranting about the "job killer" at the podium inside the Haas School of Business.

But Laura D'Andrea Tyson, the school's new dean, seated uncomfortably close to the door, affects not to hear. Her former colleague Alan Greenspan has all her attention.

Despite the deepening crisis, Mr Greenspan, chairman of the federal reserve, has kept a promise to his friend, the former national economic adviser to President Clinton, who left the White House at the end of 1996.

He has other business in San Francisco. He will later join Robert Rubin, treasury secretary, in trying to persuade Kiichi Miyazawa, his counterpart from Tokyo, of the need for economic reforms in Japan. But first, he will help Ms Tyson with her own reform project at Haas.

Media coverage of the visit from the most important monetary policy maker in the world is a coup for the modestly-ranked management school, bringing it exactly the sort of status-building publicity it needs.

The presence of Ms Tyson has already brought an air of professionalism to this corner of the University of California, Berkeley campus.

Her agenda is as sparse as her still-unfurnished office: in five years – more likely less – she intends to elevate Haas from its position as about the 10th-ranked US business school to a slot more in line with that of Berkeley as a whole.

"UC Berkeley has the largest number of graduate programmes ranked one, two or three in the US: better than Harvard and MIT. I mean we're it!" she says.

Among business schools, Haas rates fourth in quality of students, but the understaffed faculty is only seventh, and, Ms Tyson says, Berkeley deserves better.

She started her term as dean in July encouraged by the "sense" that the university administrators were ready to buy into her conviction and, importantly, allow Haas the flexibility to find its own way ahead rather than fighting for scarce funds with other, more successful UCB schools.

Recognition of the need for a new approach dates back to the late 1980s, when California was smitten by recession and a record budget deficit, she says. "If Berkeley is going to maintain and strengthen its greatness, it is going to need more flexibility or autonomy in two senses," she says.

One is to glean more revenues from non-state sources, and the other is to have more control over curriculum and management. Ms Tyson's cautious framing of her free market policy will mark a clear, and potentially politically fraught departure from established UC ways.

"We come out of a tradition where programmes are funded by the state, and the allocation of resources is basically run at campus level or at a [university] system-wide level with the interests of the state in mind," she explains.

At Haas, she sees possibilities for more endowments and revenue streams from self-supporting programmes beyond the usual daytime MBA and undergraduate courses. They include weekend and evening MBAs and lucrative offerings for executives.

Flexibility will include the ability for Haas to price its own "products" and retain at least some of the revenues to fund growth. Following the model established by some other public US universities, Haas would share its income with the central campus, Ms Tyson proposes.

"The ability of any individual unit to run a programme is partly a result of using the Berkeley name and reputation. We use Berkeley facilities and think [sharing revenues] is a perfectly reasonable way to recognise that."

How "reasonable" this approach is considered among Sacramento politicians and bureaucrats has yet to be tested, but Ms Tyson, a Democrat, has connections deep inside the US educational establishment, and her credentials – and

'While we can make the case for expanding here, we can't make the decision'

diplomatic skills – have been greatly bolstered by her bout in Washington.

She makes a persuasive "common cause" case that her plan is a sound way to enhance the fortunes of the UC flagship and the school in her charge. But she harbours few doubts about the complexity of its promotion and execution.

"Now, suppose we generate revenue: can we use it in ways *we* think are most suitable to improve the quality of education?"

This bottom-line question raises big issues, she says, which will challenge the tradition, for example, that state-funding and faculty hiring are interdependent.

But there are other "little issues" which must also be addressed, such as state control over application fees. She claims a "huge increase" in applications means the school must divert more resources to processing them. "We want to charge more but it is not something we can do unilaterally," she says.

Haas wants to increase the size of the MBA programme (the fees are also fixed in Sacramento) but now needs permission from the state capital.

"Business schools at Stanford (California's premier private university) and Harvard are in major growth modes now, and while we can make the case for expanding here, we can't make the decision."

The case she makes highlights Haas's deficiencies relative to the leading business schools, which include over-reliance on adjuncts, outsiders and visitors to fill gaps in the faculty. And while Ms Tyson boasts of a strong core in professional education, Haas currently offers only a meagre range of elective or optional courses.

Main points of weakness include health, production and information technology management. Production technology courses are popular, and half a dozen are offered in conjunction with the UCB engineering school. But while demand calls for more, "we don't have the people power".

Ms Tyson is shocked at the "dearth" of expertise on contemporary China at Haas, given UCB's location on the Pacific Rim, its big contingent of students of Asian origin, current economic developments, and its tradition as a focus of Chinese immigration.

When viewed in terms of numbers, Haas' predicament appears even more alarming. According to an external review committee, the school ideally needs between 20 and 26 new faculty members – up to 40 per cent more than now – to teach its existing student body.

Fighting talk: Tyson's free market ideas may clash with accepted California concepts of how education should be funded AP

Even reaching a provisional interim target of six additional staff would still leave the school lagging behind rivals such as the Anderson School at UCLA, Stanford and Michigan, which Ms Tyson uses as her benchmarks.

Haas still depends on the state for 42 per cent of its income. Tuition and fees account for 43 per cent, with 9 per cent and 6 per cent from endowments and annual gifts respectively.

Tradition, and the perception that education was paid for by taxes, have weighed heavily on UC campuses. "These institutions were not built on philanthropy, and never thought of going out to find funds among alumni," Ms Tyson says.

But that is changing even before her scheme is approved. As part of UCB's "New Century Campaign", Haas is already 80 per cent of the way towards raising its quota of \$75m (£45.4m) towards a grand target of \$2bn.

The spread of Haas alumni has awakened them to the importance of private support for education. And even though New York is home to the smallest concentration of Haas people, it is by far the school's biggest source of private funds.

Ms Tyson, still a regular east coast visitor, has a tight schedule and will have no more compunction about calling on Haas's former students for cash than she had about summoning Mr Greenspan to make his contribution. And it may not be long before she herself is in a position to help out.

In education most of her life, teaching at MIT, Princeton and Harvard, she says the profession allowed her the flexibility to design her career.

And although she acknowledges that her stint in Washington qualified her for a shift into the lucrative New York private sector, she once again chose the flexible option best suited to the needs of her son, 13 years old at the time.

Now, her boy is three years away from college, and the presidential election and fresh options loom. "I've told my colleagues I'll see where it's at in three years. I'll look at the scenarios then and may find I want to go somewhere else."

NEWS FROM CAMPUS

Said graduates competitive in any field

Two graduating MBA students from the Said Business School, at Oxford University, are proving that they more than just proficient managers.

Roopa Unnikrashnan has taken the gold medal for India in the Commonwealth Games in Malaysia in the women's sports rifle event. The competition took place only a few days after Ms Unnikrashnan completed her MBA course.

Likewise fellow Oxford MBA Matthew Anand flew out to Malaysia to compete in the 200km team cycle race for his native Canada. The team won a bronze.
Said Business School: UK 1865 228470

Funding for student funds

Wall Street financier Michael Price has given \$2m (£1.2m) to New York University's Stern School of Business and the Michael Price College of Business at the University of Oklahoma to enable both institutions to set up student-managed investment funds.

The income generated by the funds will be used to provide scholarship and programme support for participants. The students selected to participate in running the funds will be known as Price scholars.
Stern: www.stern.nyu.edu

Fair choice of programmes

For those Europeans overwhelmed by the choice of MBA programmes, the best place to start in selecting a programme may be one of this autumn's MBA fairs.

The Euro-MBA Tour '98, organised by the Professional Careers Group, starts in London on October 7 and then travels to Paris, Amsterdam, Munich and Madrid.

By registering in advance, participants can meet representatives from some of the big recruiters as well as the business schools.
Euro-MBA: www.topmba.com

Environmental management

For managers with a "green" turn of mind, the European Association for Environmental Management Education (EAEME), a grouping of European universities, is running a European masters programme in environmental management.

The one-year programme, which begins in October is project-based and can be taught in several European languages. Fifteen universities participate in EAEME, including Erasmus in the Netherlands, Imperial College in the UK and the University of Bologna in Italy.
EAEME: www.jrc.org/eaeme/

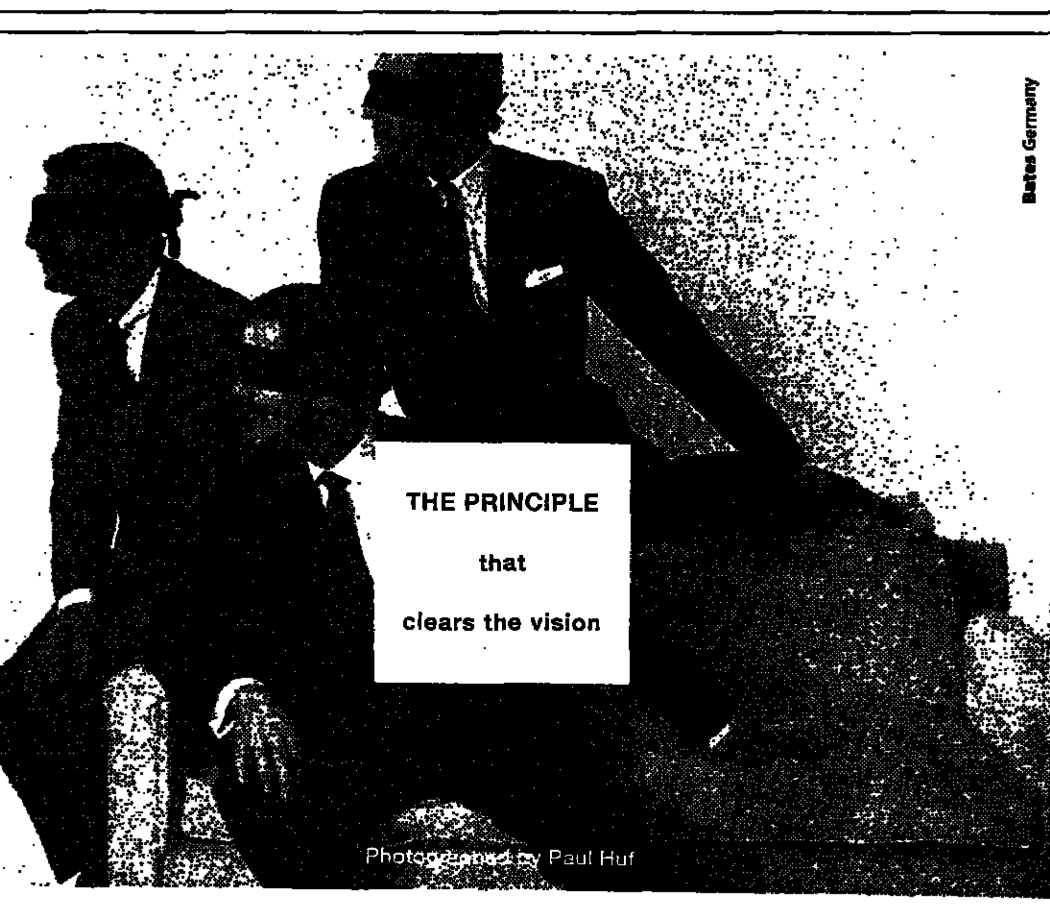
Family honour

The Spanish luxury goods maker Puig will receive the 1998 Distinguished Family Business World Award from IMD, in Switzerland, which specialises in executive training for members of family businesses.

The Barcelona perfume and fashion house controls brands such as Nina Ricci, Paco Rabane and Carolina Herrera. Previous winners of the award include toy maker Lego and French fashion house Hermès.

Puig, which will receive the award in Paris later this week, has been honoured for its geographical expansion.
IMD: Switzerland, 21 618 0111

Information for News from Campus should be sent to Della Bradshaw, The Financial Times, One Southwark Bridge, London SE1 9HL. Tel. 44 171 873 4673 Fax 44 171 873 3950



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BUSINESS TRAVEL AIRCRAFT SEATING

Cacophony cancelled

Marcus Gibson looks at a headrest solution to aircraft cabin noise

There are few more dispiriting sights than watching passengers disembark after a long-haul flight. Like a bunch of prisoners released from a long spell in captivity, a line of weary stragglers tramps through the arrivals lounge, their ears ringing from hours of incessant noise.

But at last a solution to the problem of cabin noise is on its way. Ultra Electronics, a British company, has a noise-cancelling system for wide-body aircraft which, it claims, will halve the amount of perceived noise. Fitted into individual seat headrests, the "Ultra Quiet Seat" system consists of an active noise control unit linked to a set of tiny microphones and loudspeakers. The microphones relay the ambient noise level to a digital signal processor, enabling the speakers to emit an identical sound continuously in an inverse phase, which effectively cancels out noise.

While the system does not work if the passenger moves away from the headrest, it provides an effective if localised haven of relative peace. Mainstream aircraft produced by Boeing and Airbus are not fitted with noise reduction systems, but British Airways and Scandinavian Airlines are in discussion with Ultra Electronics.

"If passengers put their heads against the headrest they will experience significant improvements in comfort," says Laurence Earl, Ultra's marketing manager. It also helps passengers hear what their immediate neighbour is saying.

At $500 (£300) a seat, Ultra's interior "hush kits" are clearly aimed at the business traveller. "Major operators have so far concentrated on fitting bigger seats," says Mr Earl. "But we believe the introduction of a much quieter seat will give airlines a significant competitive advantage."

Aerospace engineers say in-flight noise levels of wide-body aircraft such as a Boeing 747 stand at about 80 decibels, caused mostly by passing air, exhaust noise and even air conditioning, rather than jet engine noise or vibration. Although the new system produces a reduction of 10 decibels, Ultra Electronics says complex psycho-acoustic factors ensure travellers perceive a halving of noise levels.

Since 1995 the Cambridge-based company, a world leader in noise reduction systems for civil aircraft, has fitted its equipment to about 250 regional jet and turboprop aircraft, including the Bombardier Dash series, and Saab 340 and 2000 series. Noise in these aircraft types has been reduced to the same level as larger aircraft by fitting not headrest but full cabin-wide systems. These combat a different, more tonal and low-frequency type of noise and vibration – primarily from jet and turboprop engines. Utilising a sophisticated network of up to 72 microphones and vibration-sensitive attentuators mounted along the length of the fuselage, cabin-wide systems have muffled this once notoriously loud class of aircraft.

So successful has the existing technology proved with industry operators, aircraft manufacturer Bombardier announced at the Farnborough Air Show earlier this month that it was renaming its Dash 100 aircraft as the Q100 series – Q for Quiet. If airlines respond quickly enough to passenger demands for markedly higher standards of comfort then flying long-haul will not be such a numbing test of endurance.

TRAVEL UPDATE

Manila visitors face further air disruption

Travellers with business in Manila will face further disruption if, as threatened, Philippine Airlines shuts up shop altogether next Monday. A crisis forced by the Asian economic downturn and a crippling pilots' strike in July has already forced the carrier into a drastic pruning of international routes. It no longer flies to main European, Middle East or Australian cities. But it still operates to a number of Asian destinations – flying daily, for example, to Singapore, Hong Kong and Taipei – and to Los Angeles and San Francisco. If the airline bites the dust, passengers from the two West Coast cities will have to fly with Cathay Pacific via Hong Kong, where they will have to wait only one hour before continuing to Manila, with Northwest via Tokyo or Singapore Airlines via Taipei.

Checking out frequent flyers

An independent survey of eight frequent flyer programmes shows American Airlines and British Airways are the most generous – and Air France, Delta and Lufthansa the meanest, *writes Gillian Upton*.

The comparison is based on the number of return economy flights between London and New York required to gain one free economy class return ticket to Amsterdam, Brussels, Dublin or Paris. According to the survey, you would need to fly 3.6 times to New York on Delta or Lufthansa and 2.8 times on Air France to qualify. On British Airways the requirement would be only 0.6 times, and on American 1.4 times. In between are Virgin (1.7), United and Continental (2.1).

The survey was undertaken by the International Airline Passengers Association, the independent business travellers' organisation.

A similar picture emerges if you want to earn one free business class ticket. Iapa says it takes 1.2 trips between London and New York in economy class on British Airways, but 4.2 trips on Delta, 5.6 trips on Air France and 6.8 trips on Lufthansa.

But check the small print. BA awards miles only to travellers buying a full-fare economy class ticket. But you would qualify for miles on Air France and Lufthansa if you bought a promotional ticket.

Another big difference concerns who is allowed to use the accrued miles. British Airways specifies the member plus family but Air France members, for example, can nominate anybody.

The Iapa survey looked at travelling long-haul and enjoying a short-haul benefit. A survey on flying short-haul and earning a short-haul benefit would have given a different result; so too would flying long-haul and enjoying a long-haul benefit.

For example, you would need to take 9.7 trips in economy class on BA to New York to win an economy class ticket to the Big Apple. On Air France you would need to take only 4.1 trips.

Surfing rooms

Business guests at about 100 Choice hotels in Scandinavia are to be offered pre-paid cards "loaded" with internet surfing time. The system is already operating at some hotels and will soon be phased in at others throughout Norway, Sweden and Denmark. The cards, which also cover fax transmissions, cost £12 for one hour or £23 for four hours.

Guests at Copenhagen's grand Hotel d'Angleterre and Amsterdam's Hotel Okura are able to access the internet from their rooms.

Virgin lounge

Virgin Atlantic, which last week won permission from the Civil Aviation Authority to start flights between Heathrow and Moscow, tomorrow opens its new lounge at Gatwick.

The airline is expected to operate an A320 Airbus on the Russian route. It may not be able to launch the service in time for the switch to winter schedules on October 25 but hopes to start flying at least four times a week soon afterwards.

Likely weather in the leading business centres

	Mon	Tue	Wed	Thur	Fri
Tokyo	27	29	28	27	26
Hong Kong	30	29	30	29	30
London	22	20	21	21	19
Frankfurt	19	18	19	19	20
New York	28	26	20	18	23
Los Angeles	25	24	24	28	20
Milan	24	23	23	25	24
Paris	22	21			21
Zurich	16	16			18

Information supplied by PA WeatherCentre

Maximum temperatures in Celsius

China openings

Marriott is to manage a 531-room hotel in Chongqing, a manufacturing city in south-west China. The hotel is some 30 minutes' drive from the airport and will have five restaurants – serving Chinese, Japanese and western food – a swimming pool, fitness centre and meeting rooms. It is due to open in mid-1999.

Sheraton has opened a new hotel an hour's drive west of Shanghai in Suzhou.

Debonair launch

Debonair, the UK carrier, is to launch what it claims are the first scheduled flights to Paris Express airport at Cergy-Pontoise, north of the capital near La Defense. The carrier starts the daily services from its Luton base to Paris Express airport, which is about 35 minutes from the centre of town by taxi or RER train, on November 16.

Oslo switch

Oslo's new international airport at Gardermoen will open on October 8. Operations will then switch from Fornebu which is to be closed. Gardermoen, 30 miles north of the capital, is connected by rail. The journey will initially take 30-35 minutes but it will be reduced to 20 minutes when a high-speed link is opened.

Rotterdam flight

New flights between Manchester and Rotterdam are being launched today. The three-times daily service is a joint venture between KLM uk, the Dutch airline's British arm, and Antwerp-based VLM. The two carriers run a joint operation between London City Airport and Rotterdam.

Roger Bray

TIM JACKSON
ON THE WEB

Six degrees from success

Two online companies with a single shatteringly simple idea are prospering

"If you build it, they will come," says one of the characters in the movie *Field of Dreams*. Taking his advice, the sports-mad farmer played by Kevin Costner installs a full-size baseball diamond in one of his cornfields.

On the internet, this advice is exactly the opposite of what smart companies do. To see why, look at *www.sixdegrees.com*, a web site set up by New York-based MacroView.

The idea behind the web site, borrowed from the play of the same name, is that everyone in the world is connected by a chain of mutual acquaintances no more than six people long. So if you have a question to answer, or a problem to solve, someone at the end of a chain of people who know people you know will be able to help.

You join up by being invited into the site by an existing member who has named you as a connection. Once inside, you confirm the relationship they reported, and then have the opportunity to propose other people you know. This places you at the centre of a set of concentric circles of acquaintances, friends, colleagues and relatives, who can answer questions you post on a bulletin board.

Unfortunately, there is an intellectual flaw at the heart of the idea. True though it may be that someone will help you because they are a friend of a friend (a second-degree connection), it is much less likely that a sixth-degree connection will be willing to help you simply because you are their friend's cousin's client's wife's hairdresser's mother.

A technically superior implementation of the same idea can be found at another web site run by a Pittsburgh company, which abbreviates the six-degrees-of-separation phrase to *www.6dos.com*. Here, the rules of market economics are being harnessed; the system allows people to offer a reward for the answer to their question, and allows intermediaries – the links in the chain – to take part of the reward for their part in forwarding the question to the person who can answer it.

In February 1998, when these companies were last covered in this column, the New York company was winning despite the flaws in its idea. Andrew Weinreich, its 30-year-old founder, argued that people would be more likely to participate in the system because it was cool than because they would make $10 from it. He cited 410,000 users of his service as evidence that he was right.

Mr Weinreich's theory looks increasingly compelling. Last month, the *www.sixdegrees.com* site received 9m page views, and showed advertisements on about 80 per cent of the pages. This month, he says the page views are likely to top 14m; next month, 20m.

The company signed its millionth member earlier this month, and hopes to reach 2m by the end of 1998 and 10m by the end of 1999. It now has 25 employees, and is trying to recruit another 30.

Mr Weinreich also says he is about to close a new funding round, bringing in significant new money in addition to the $3.5m seed capital raised from 40 high-net-worth New Yorkers that has paid the bills so far.

In addition, Mr Weinreich has rolled out some new services. Since the six degrees that gave the site its name are no longer central to the idea, the site now allows someone who wants to find a tennis partner living nearby to search the entire million-strong database, not merely friends of friends. The site also offers instant messaging between people using the web site at the same time, and an ability to look very widely at the concentric circles of contacts you have.

Since signing on to the service, I have been irritated by the number of e-mailed messages sent to me by the system on behalf of people looking for apartments in New York.

Mr Weinreich says the company plans to implement filters in the fourth quarter of 1998 which will allow users to say no thanks to certain categories of inquiries and questions, such as real estate.

The difficulty, he says, is marrying the filters at both the receiving and the sending end. Most interestingly, he also plans to roll out "some kind of expert module" in which questions can be forwarded to self-appointed experts in given areas.

If Mr Weinreich succeeds in doing so, this will offer conclusive proof of what should now be called the *Field of Dreams* theory. For *sixdegrees.com* was originally the underdog as measured by functionality. "There are two ways to build a company," he says. "You can build the technology and then go for the members, or build the membership and then flesh out the technology." Mr Weinreich went for members – traffic growth – before all else. And he was right.

tim.jackson@pobox.com

TECHNOLOGY UPDATE
DATA DELIVERY BY SATELLITE

Battle for the skies hots up

Satellite TV operators pose a threat to the traditional VSAT suppliers, says **George Cole**

THEN: Two years ago, the satellite data delivery market was growing in Europe. Satellite data systems deliver data and internet content at high speeds to desktop PCs or network servers. The delivery process is much faster than telephone modems or even ISDN digital lines.

Leading users of satellite data systems include the automotive, retail, banking and credit card sectors. These customers use a two-way link known as VSAT (very small aperture terminal) which connects a PC to a satellite dish.

NOW: The VSAT market is still growing, but traditional VSAT suppliers are being challenged by satellite TV operators, who are also planning to offer fast data services, along with digital television programmes. Satellite data services used to be aimed at corporate groups, but small and medium-sized companies and even individual consumers are now seen as potential users.

In 1994, Hughes Network Systems and Olivetti Telemedia formed Hughes Olivetti Telecom (HOT), with the aim of offering companies high-speed multimedia services via satellite.

The company says the satellite data market accounts for about 4-5 per cent of the general telecommunications market and that this will double in the next 10-15 years. By 2000, it predicts, every European business location will have a satellite receiver.

HOT offers two satellite data services.

HOTStar is a VSAT service designed to deliver data to branch or stores locations on a national or pan-European basis.

DirecPC is a satellite broadcast service which uses a PC card and a small satellite dish (60-80cm) costing about £590.

The cost of the DirecPC service varies from £25 a month for consumer users to more than £2,000 a month for companies needing to deliver vast amounts of data. HOT says DirecPC has several applications, including "turbo" internet, which offers internet content at data speeds of up to 400 kbps (the fastest telephone modems offer speeds of 56 kbps), enabling a 400-page document to be delivered in less than a minute.

High speed delivery makes satellites very cost-effective when compared with other systems, says HOT.

'I can see digital TV viewers being offered a carousel of the top 500 websites, which they could request by a telephone connection'

At the same time, the growth of digital TV services across Europe has led to interest in delivering internet content as well as programmes.

Helmut Stein, senior vice-president of the new technology and operations division at Nokia Multimedia Network Terminals, says: "Television pictures are transmitted from satellites at speeds of up to 38 megabits a second, so fast internet services are feasible. I can see digital television viewers being offered a carousel of perhaps the top 500 websites, which they could request by a telephone connection to the broadcaster."

The satellite operator Eutelsat (European Telecommunications Satellite Organisation) has developed Convergence1, a system which uses the European Digital Video Broadcasting (DVB) standard to deliver a mix of digital television pictures, internet content and multimedia materials via a Hot Bird satellite.

By using a DVB-compliant set-top box, a PC card, dish and software, users will be able to access internet pages on their PC and digital TV programmes on a television.

Future versions of Convergence1 will allow users to view internet content on their TV, and to watch television programmes on their PC.

Eutelsat is running a pilot service in the UK, with partners BT Broadcast Services and the internet service provider Easynet.

The Luxembourg-based satellite company Société Européenne des Satellites (SES), which owns the Astra series of satellites, may be one of the largest satellite TV operators, but the company also has its sights set elsewhere.

"Markets such as data delivery and multimedia will form an important part of our future business," says Romain Bausch, SES's director-general.

SES has formed the Astra-Net service, in which shareholders include Intel, Deutsche Telekom and Hughes Network Systems.

Using a platform known as the European Satellite Multimedia (ESM) service, Astra-Net delivers data to suitably equipped PCs at high speed.

Astra-Net PC cards sell for about $250 (£150) each, although this is expected to fall to about $150 by the end of the year.

SES also plans to offer satellite data services to large and small businesses, the public sector and consumers from two new satellites, Astra 1H (launched later this year) and 1K, due to be launched in 2000.

Canal Plus, the French pay-TV company, has teamed up with Cegetel, America Online and Bertelsmann and plans to launch a fast internet service in France this autumn.

The service will deliver internet content to PCs from satellite at speeds that are at least 10-15 times faster than standard telephone modems.

Satellites may even deliver data and internet content to airline passengers, says Veronique Blanc, a product manager at SITA, an air transport telecommunications company.

Ms Blanc notes that passengers can already access telephone and fax services while in the air, thanks to satellite systems.

Modem connections initially offering air passengers e-mail facilities should be available this year, she says, with faster connections offering internet surfing coming in around 2000.

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Société Européenne des Satellites, which owns the Astra series of satellites, plans to offer an interactive multimedia service

George Cole looks at a flexible and cost-effective solution to traditional communications systems

Delivery via the satellite route

mation technology company, and British Telecom of the UK. The service, which began operating at the start of the year, is used to link 11 sites, which communicate via e-mail

because many leading car companies have hundreds or even thousands of dealers scattered across various countries. Last October, General Motor's Opel/Vauxhall unit

tor. In Italy, the bank consortium Infrostrada/Cedarnord has ordered almost 800 VSat terminals for branch applications, including its automated teller machine network.

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NEIL BUCKLEY
FILE FROM BRUSSELS

Time to stop making allowances

The allocation of MEPs' travel costs has become a Europe-wide controversy. If it is not resolved soon, it may alienate ordinary citizens from the whole EU concept

The departure of the monthly Brussels to Strasbourg parliament express is something to behold. The platform at Brussels Leopold station – located these days in the basement of the European Parliament's $1bn headquarters – teems with Eurocrats armed with overnight bags. Metal trunks filled with documents are heaved on to the train for the five-hour trundle south. The scene smacks of a new term at boarding school.

The mass transit by rail of Brussels-based support staff and assistants is only part of the monthly ritual. Parliament members converge on Strasbourg from constituencies in all corners of the European Union, from Aberdeen to Athens.

But the generous allowances MEPs get to pay their travel costs is at the centre of a controversy that threatens to cloud the Europe-wide elections which members face next June. Unless they tackle the problem soon, some MEPs fear it could further increase voters' apathy towards the one European institution they directly elect.

Pressure for change is mounting. At June's Cardiff summit, parliament's president, the affable polyglot Jose-Maria Gil-Robles, got an unusual verbal mauling from EU heads of government, who accused parliament's gravy-train image of alienating ordinary citizens from the whole EU concept.

The EU's spending watchdog, the Court of Auditors, last month released a stinging report warning that parliament's allowances system was wide open to abuse.

But such are the divisions caused by this apparently mundane issue that parliament's political leaders last week balked at adopting either of two competing plans to change the system. They did what parliament does best: set up another working party to examine the question further.

"What kind of a message does this send?" sighs Alan Donnelly, leader of British Labour parliament members. "It's taken us longer to sort out MEPs' expenses than it did to adopt all the legislation to cope with German reunification."

At the heart of the row is the system of paying lump sums based on the distances between MEPs' constituencies to parliament meetings in Brussels and Strasbourg, instead of reimbursing actual costs.

The Court of Auditors found MEPs' travel bill in 1996 was a massive Ecu27.6m (£18m) – 30 per cent more than if members had flown every single journey business class. Yet many MEPs travel by train, car or economy flights to parliament; some even get reduced fares on their national transport systems.

Travel allowances averaged Ecu75,597 (£50,000) per MEP, a third of the Ecu227,805 total expenses each received on top of their salaries.

But why can MEPs not just accept reimbursement of their actual costs? The answer is that travel allowances are stretched to cover needs they were never designed for, ironing out deep-rooted inconsistencies in the way the embryonic Europe-wide parliament operates. Some members from southern states privately admit that profits made from manipulating travel costs help supplement their meagre pay.

The fact is that, to avoid jealous spats if MPs in London or Lisbon found their MEP compatriots earning more than they did, European parliamentarians earn the same as members of their respective national assemblies, and are paid from national, not EU, budgets.

The result is huge pay disparities between MEPs from different countries, doing exactly the same job. The Greeks and Spanish, the lowest-paid, earn less than a third of the Italians, the top earners. At the same time, the poorest paid MEPs are often from the farthest-flung countries, and benefit the most from distance-based travel payments. Some MEPs also use surpluses from their home-to-Brussels allowances to make up for inadequacies in the payments designed to cover travel costs around their constituencies. Spanish members, elected by proportional representation from national lists, say their constituencies are effectively the whole of Spain, making touring round to woo their voters a costly business.

Parliament wants to tackle the travel allowances problem by adopting a statute that would regularise all aspects of MEPs' conditions – including pensions, social security, expenses for constituency travel – and set a common salary, paid from EU funds.

But that needs the backing of EU heads of government. While states such as Portugal, the Netherlands, Spain and Sweden have indicated they might be in favour, others, such as the UK and Germany, mindful of the potential sensitivities with national parliaments, are reluctant.

Some MEPs say that unless EU states are prepared to grant them a proper status, they are disinclined to tackle the allowances problem.

Euro-parliamentarians tend anyway to be somewhat bolshie about demands to put their house in order from EU heads of government – whom they blame for forcing parliament to continue to meet, for historic reasons, in both Strasbourg and Brussels. Some suggest this peripatetic existence does more to damage parliament's proper functioning – and credibility – than petty rows about travel costs.

Attempts to reduce the number of week-long Strasbourg sessions, fixed by the Maastricht Treaty at 12 a year, always meet furious French opposition. Suggestions of such a move are seen by the French, who are desperate to hang on to the only EU institution on their soil, as the thin end of the wedge.

With no parliament sessions in August, when the whole EU virtually shuts down, the assembly must hold two sessions in Strasbourg next month to meet its yearly quota.

That gives MEPs two more chances to tackle the allowances system before their president next confronts heads of government at an informal summit in Austria on October 24. But the real concern if they continue to duck the issue is not any ticking-off Mr Gil-Robles might face from EU leaders. It is the way voters might react next June.

Fight jargon and win £500

If you hate gobbledegook and want to further the cause of plain English, enter a competition being run, for the second year, by the Financial Times and the Management Consultancies Association.

This is your chance to get your own back on your professional advisers. At the same time you could convert, with a clip of the scissors, the annoying rubbish filling your in-tray into a £500 prize.

We are looking for examples of jargon, gobbledegook and absurdly contorted prose from letters, reports, proposals, brochures, promotional material, books and so on, published over the last year.

Entries can be the work of any business or professional advisers, including:

- **Management consultants**
- **Lawyers**
- **Accountants**
- **Bankers**
- **Business gurus**

To enter the competition, simply fill in the form below (photocopies accepted) enclosing an example of the worst gobbledegook written or published since September 1 1997. No individual may submit more than one entry. Examples must be in English and should be no longer than 300 words.

Entries must be received by October 16 1998. The top three entries will each receive a cash prize of £500 and a collection of the best examples will be published in the Financial Times in November.

Financial Times/Management Consultancies Association

Business Jargon Competition

Entry form

Entries must be received by Friday October 16 1998
The competition administrator
The FT/MCA Business Jargon Competition
11 West Halkin Street
London SW1X 8JL

Name of sender

Address

Postcode

Telephone

I attach (please staple) my example for the above competition which was produced by
(insert name of individual/firm/publication)

On (enter date)

Important You must give your name on this form, but if you do not wish your name to be associated publicly with this submission, please tick this box ☐

OPENINGS

BOSTON
The museum world's mania for Monet continues with an exhibition of over 90 works painted by the artist in the last decades of his life. It opened yesterday at Boston's Museum of Fine Arts and transfers to the Royal Academy of Arts in London in January.

NEW YORK
The Metropolitan Museum's extensive collection of early Netherlandish paintings is showcased tomorrow in an exhibition of 140 works by Jan van Eyck, Hans Memling, Pieter Bruegel the Elder and others.
On Friday, the Morgan Library unveils "Master Drawings from the Hermitage and Pushkin Museums", many of them never shown outside Russia.

LONDON
The distinguished German conductor Kurt Sanderling (below) presides over the opening concerts of the

Philharmonia Orchestra's new season tomorrow and on Saturday at the Royal Festival Hall. The programmes feature works by Brahms and Shostakovich.
After two weeks of previews, the press are invited to see *The Blue Room* at the Donmar Warehouse tomorrow night. Freely adapted by David Hare from Arthur Schnitzler's *La Ronde*, the play stars Australian film star Nicole Kidman alongside British actor Iain Glen. The director is Sam Mendes.
Terry Johnson directs the world premiere of his own new play, which opens at the Lyttelton Theatre tonight. Based on the Carry On films, *Cleo, Camping, Emmanuelle and Dick* stars Samantha Spiro and Geoffrey Hutchings (right).

TORONTO
The Canadian Opera Company's 1998-9 season opens at the Hummingbird Centre with *Norma* on Thursday and *Tosca* on Friday. Marina Mescheriakova

sings the title role in the Bellini and Sylvie Valayre in the Puccini.

BERLIN
The Deutsche Oper is laying special emphasis this season on the stage works of Richard Strauss, in recognition of the 50th anniversary of his death next year. The first new production is *Die Frau ohne Schatten*, opening on Saturday and conducted by Christian Thielemann.

BRNO
The music of Janáček, who spent a large part of his life in this Moravian city, is the central thread of this year's Brno music festival, opening on Thursday. There will be performances of most of his orchestral and chamber works, and a staging of *From the House of the Dead.*

PARIS
In Paris this week, the Cuban National Ballet opens a season at the Théâtre des Champs Elysées, directed by the grand and splendid Alicia Alonso. The visit is part of the company's fiftieth anniversary celebrations.

ZURICH
An exhibition entitled "Max Beckmann and Paris", opening at the Kunsthaus on Friday, brings together more than 100 masterpieces of modern art. Beckmann's paintings (below) are set alongside works by Matisse, Picasso, Braque, Leger and Rouault.

Opera's persuasive voice

Ruth Mackenzie has a way with words, and Scotland will benefit, says **Andrew Clark**

When Ruth Mackenzie was chief executive of the Nottingham Playhouse, she inherited a Christmas tradition whereby each member of staff would pick the name of a colleague out of a hat and buy a small gift anonymously. An actor dressed as Father Christmas would then distribute the presents over drinks. "One year I got a very nice lavatory brush," Mackenzie recalls, "and the message was 'For Ruth, who has to clean up all the dirt'."

No such tradition exists at Scottish Opera, where Mackenzie became general director a year ago, but she reckons it is a fair analogy of her job. Her mantra, which she picked up on one of the management courses she now teaches, is "only do what only you can do". She interprets it as "taking the rap if all goes wrong. The fact that I am the person with ultimate responsibility doesn't mean I do it all. It's my job to try to help everyone else do what they can do. Opera is about teamwork, so if you introduce a new person to the team, it would be a failure on my part if people suddenly said 'Yes, that's Ruth Mackenzie'."

At 41, Mackenzie is rapidly emerging as one of the most visible members of the UK arts establishment. Her early work with the Arts Council and South Bank Centre marked her out as a high-flyer, and she seems destined, after a suitable stint in Scotland, for one of the big, thorny metropolitan jobs. She is on everyone's list of achievers, including Tony Blair's: she was among the leading arts figures invited to a seminar with the UK prime minister at 10 Downing Street earlier this year. "But being accepted by the establishment hasn't compromised her vision," says a former associate. "She is an excellent case of how to make creative use of inside tracking."

When you meet Mackenzie, you quickly realise why she has climbed so fast up the career ladder without making enemies. Her knowledge of opera may be thin, but she has a first-class mind and does not flaunt it. She is sociable and sassy, with no airs and graces, and seems happiest in the artists' bar or chatting to staff over a cigarette on the step outside Scottish Opera's Glasgow headquarters. Mackenzie smokes 40 a day, a symptom of her high adrenalin and workaholic lifestyle.

None of this explains her impact on the public consciousness during seven years in Nottingham and 12 months north of the border. One of the keys to her success is an ability to articulate the needs and concerns of the arts world in a way that enthuses the world of money and politics; another is the fact that she seems to have no personal axe to grind. If she is ambitious, she pursues her goals in the nicest possible way and for the best possible reasons. There is something of the arts junkie in her – her only agenda is "to make better art and serve communities".

You won't find Mackenzie voicing the usual pieties about widening the audience base. She is genuinely enthusiastic about filling the theatre with young people without throwing artistic criteria out of the window. London-born and Cambridge-educated, she has a gift for languages, a deep knowledge of visual art and a European vision – adding up to a broad-mindedness unusual among her peers. In short, she is the persuasive voice of the arts.

This does not prevent her sprinkling her conversation with management-speak. "Empowerment" and "brainstorming" are favourite words which characterise her consensual style. At Scottish Opera, that style has yet to be thoroughly tested.

She inherited an organisation which, largely thanks to her predecessor, Richard Jarman, had found a measure of stability after years of endemic crisis. Audience surveys suggest it attracts the broadest social and age range of all UK companies. With ticket prices from £3.50 to £40, it faces none of the political problems associated with opera in London. Thanks to its small touring subsidiary, Scottish Opera is seen as genuinely national. Artistic standards remain high, as this month's Edinburgh festival production of *Dalibor* testified.

Shortly after her appointment, however, Mackenzie discovered that a proposed orchestral merger with Scottish Ballet – part of a three-year financial stabilisation programme agreed with the Scottish Office – had fallen apart. With an increase in subsidy hanging on the two companies' ability to carry out savings, it has fallen to her to find other ways of combining operations, such as by pooling management resources. Whether this is in the interests of either company remains an open question. The proposal has bred further uncertainty, and will test Mackenzie's ability to knock heads together.

Where she *has* made identifiable progress is in creating a sense of partnership with Scotland's local authorities, many of which have been reluctant to contribute to an organisation catering mainly for the big population centres. Drawing on her experience of community arts in England, Mackenzie has made a point of visiting council offices to ask how Scottish Opera can contribute. Her campaign is based on the rationale that only by creating the broadest sense of public ownership can you develop and sustain the political base necessary to fund an art form as expensive as opera.

She makes her pitch in terms of "visions" and "dreams", but the bottom line is practical. "There are 5m people in Scotland, and they all help to pay for us. How do we do a good job for them? You don't start by saying 'I need more money'. You work out what your vision is, explore how it is going to meet Scotland's needs and show how you can help. Only then are you able to say 'We need some more money'. You do it in partnership, so that everyone sees they have a stake in developing this. If the vision is good enough and it sounds like it's going to work, that's the difficult bit. After that, getting the money isn't so hard."

But isn't all this peripheral to the company's core function of presenting top-quality performances in theatres suited to the purpose? Mackenzie disputes any suggestion that her community-based vision is politically fashionable.

"Our aim is to ensure that the highest quality of music theatre is part of the vocabulary of everyone in Scotland, and to recognise that not everyone has equal geographic access. I'm not pretending you can do *Dalibor* to festival standard in the town hall in Lerwick, any more than you can have a heart transplant unit in every community. But you also have to recognise that the essence of making and discovering and understanding opera can be shared and used by communities in many different ways. Finding out how to do that is our most important job."

Scottish Opera's Glasgow season opens on Wednesday at the Theatre Royal with 'The Magic Flute'. Its production of 'The Makropoulos Case' is on tour in the Highlands and Islands until October 24.

Ruth Mackenzie: 'She is an excellent case of how to make creative use of inside tracking'

Charming date with Henry VIII

THEATRE

ALASTAIR MACAULAY

Katherine Howard
Chichester Festival Theatre

Historical fiction about famous people allows us to screen our ignorance and curiosity with fantasy and arrant projection. Just what went on between Marilyn and Jack Kennedy? What did Philip II of Spain think about his son Carlos and about the Spanish Inquisition? The answers to these questions have less to do with historical fact than with the workings of our minds. And usually – not always – historical fiction is something neat, cosy, reassuring: something that plugs the gaps in our knowledge with a notion with which we like living.

Take, for example, *Katherine Howard*, the new play by William Nicholson that wraps up this year's Chichester Festival summer season. It has bags of charm, of course. Nothing less is to be expected from the author of *Shadowlands*, on whose tender C.S. Lewis shoulder so many of us wept buckets.

Here, the most charming idea of all is the nicely surprising conceit that Katherine Howard, fifth wife to Henry VIII, was neither an adulteress nor a liar but a loyal truth-speaker who learnt to love her fat, smelly old husband. Nicholson is so reasonable and so clever and so consoling that he even makes us understand why Henry VIII still has her beheaded. It is all simply darling.

We know who is good and who is bad. (That is what fiction means.) In this case, Archbishop Cranmer gets to play the punitive partisan sleuth Ken Starr role, and posy treacherous Lady Jane Rochford gets to play Linda Tripp. We are meant to like neither of them; and just as bad is the weathervane leading courtier Duke of Norfolk.

Most of the leading characters get their share of flamboyant quotable lines. Some are meant to be ironic and Wildean. *Lady Jane*: "Men are all the same. They only want one thing. An advantageous marriage." *Duke of Norfolk (to Katherine Howard, his niece)*: "Your marriage is none of your business."

But mainly Nicholson has – like hundreds of Tudor/Jacobean historical fiction-writers before him – Shakespeare on his mind. Although Katherine Howard gives the play its name, it is her husband who is the play's hero. Only to Henry VIII does Nicholson accord soliloquies.

Unfortunately, this is not enough for Nicholson: he must make Henry VIII compare himself to God, again and again. He does so in jest: if the mother of God could enjoy an immaculate conception, then why not ugly Anne of Cleves? He does so in earnest: "This is what God must feel like." Soon he projects on to God all his own loneliness and need for love; then he projects on to God all his own sense of betrayal and pain. One feels sorry for God, who is likened to a five-times-married, faith-adjusting monarch who hates his own body and never once mentions his children.

Still, oodles of charm proliferate. It is all so sweet – to be asked to believe that one of the more famous adulteresses of English history was in fact a faithful wife and that Henry VIII was in love with her and only consented to her execution because he could not bear to share even her heart. And then to watch the Duke of Norfolk lip-smackingly torturing Katherine's poor former lover Thomas Culpepper and Cranmer's creepy *voltes face* between good cop and bad cop!

Although Katherine Howard gives the play its name, it is her husband who is the play's hero

In Robin Lefevre's staging, most of the performances are to match. One can believe Richard Griffiths when his Henry VIII says: "I hate my body"; his entire demeanour now expresses acute discomfort. He is no autocrat, but he catches the self-deprecation and pretty little philosophisings of this monarch well enough. Emilia Fox is a little too prune-faced as Katherine, but her voice and poise make a handsome impression. I am sad to see Julian Rhind-Tutt, a young actor who made so brilliant an impression at the National Theatre two years ago, fumbling his way through the role of Culpepper.

Jonathan Coy enjoys Cranmer's rapid changes of tone, and Frances Tomelty and Denis Quilley turn on the best kind of Chichester hollowness as Lady Jane and Norfolk – all burnished surface and actorly relish for easy effects. But who can blame them? There is something truly vulgar about this kind of how-the-great-really-lived-and-loved historical fiction. Nicholson's soul is purest Georgette Heyer.

INTERNATIONAL Arts Guide

AMSTERDAM

DANCE
Het Muziektheater
Tel: 31-20-551 8911
Nederlands Dans Theater I: triple bill comprising Sinfonietta by Jiří Kylián, Grass by Mats Ek, and Start to finish by Paul Lightfoot; Sep 25, 26

BIRMINGHAM

CONCERT
Symphony Hall
Tel: 44-121-212 3333
City of Birmingham Symphony Orchestra: conducted by Sakari Oramo in works by Sibelius, Dutilleux and Mahler; Sep 24

BOSTON

EXHIBITION
Museum of Fine Arts
Tel: 1-617-267 9300
Monet in the 20th Century: more than 80 works painted by the artist in the last decades of his life. Beginning with paintings of the garden at Giverny, the show concludes with five of the monumental waterlily paintings that Monet called Grandes Décorations; to Dec 27

CHICAGO

EXHIBITION
Art Institute Of Chicago
Tel: 1-312-443 3600
www.artic.edu
Julia Margaret Cameron's Women: 60 vintage prints of Victorian subjects such as Julia Jackson, mother of Virginia Woolf, and Alice Liddell; to Jan 10

COPENHAGEN

EXHIBITION
Louisiana Museum of Modern Art, Humlebaek
Tel: 45-4919 0719
www.louisiana.dk
Joan Miró: big retrospective comprising 140 paintings, drawings and sculptures, including works borrowed from the artist's family since the exhibition was shown in Stockholm over the summer; to Jan 10

GLASGOW

OPERA
Theatre Royal
Tel: 44-141-332 9000
The Magic Flute: by Mozart. Scottish Opera production by Martin Duncan, conducted by Richard Farnes; Sep 23, 26

LONDON

CONCERTS
Barbican Hall
Tel: 44-171-638 8891
London Symphony Orchestra: Sir Colin Davis conducts works by Mozart and Bruckner in the opening concert of the autumn season. With piano soloist Radu Lupu; Sep 23, 24

Royal Festival Hall
Tel: 44-171-960 4242
Philharmonia Orchestra: conducted by Kurt Sanderling in works by Brahms, Beethoven and Shostakovich. With piano soloist András Schiff; Sep 22, 26

EXHIBITION
Royal Academy of Arts
Tel: 44-171-300 8000
Picasso: Sculptor and Painter in Clay. This first big exhibition of Picasso's ceramics includes about 100 pieces, many of which have never been exhibited. They will be shown with some paintings and sculptures, demonstrating how Picasso developed his ideas across different media; to Jan 1

OPERA
English National Opera, London Coliseum
Tel: 44-171-632 8300
Otello: by Verdi. New production by David Freeman, designed by Tom Phillips and conducted by Paul Daniel/Mark Shanahan. David Rendall sings the title role; Sep 22, 25

LOS ANGELES

OPERA
L. A. Opera, Dorothy Chandler Pavilion
Tel: 1-213-972 8001
www.laopera.org
● Carmen: by Bizet. Washington Opera production by Ann-Margret Pettersson, designed by Lennart Mörk. The conductor is Bertrand de Billy and the title role is sung by Jennifer Larmore; Sep 22, 25
● Werther: by Massenet. Conducted by Emmanuel Joel in a co-production with Théâtre du Capitole Toulouse staged by Nicolas Joël. The title role is sung by Ramón Vargas; Sep 23, 26

MADRID

EXHIBITION
Museo Nacional Centro de Arte *Reina Sofia*
Tel: 34-1-467 5062
Federico García Lorca (1898-1936): centenary celebration of the Spanish poet. Includes biographical material and examples of the different forms in which he worked with friends and collaborators including Falla, Dalí and Bunuel; to Sep 21

MANCHESTER

CONCERTS
Bridgewater Hall
Tel: 44-161-907 9000
BBC Philharmonic: conducted by Sir Charles Mackerras in a programme of works by Beethoven. With soloists including bass Willard White; Sep 26

MUNICH

CONCERTS
Philharmonie Gasteig
Tel: 49-89-5481 8181
● Kremerata Musica: conducted by Gidon Kremer in Piazzolla's Maria de Buenos Aires; Sep 24
● Munich Philharmonic Orchestra: conducted by Heinrich Schiff in works by Beethoven, Hindemith and Mahler; Sep 21, 22

NEW YORK

CONCERTS
Avery Fisher Hall, Lincoln Center
Tel: 1-212-875 5030
www.lincolncenter.org
New York Philharmonic: Kurt Masur conducts Beethoven – *The Complete Symphonic Cycle.* Programme II (Sep 22); Programme III (Sep 24, 25); Programme IV (Sep 26)

OPERA
New York City Opera, New York State Theater
Tel: 1-212-870 5570
www.nycopera.com
● Il Barbiere di Siviglia: by Rossini. Directed by Albert Sherman and conducted by Guido Ajmone-Marsan. Cast includes Kristine Jepson, Daniel Mobbs and Matthew Polenzani; Sep 24
● Partenope: by Handel. Directed by Francisco Negrin and conducted by George Manahan. Lisa Saffer sings the title role; Sep 22, 26

PARIS

DANCE
Théâtre des Champs Elysées
Tel: 33-1-4952 5050
● Cuban National Ballet: Swan Lake, in a staging by Alicia Alonso; Sep 22, 25, 26
● Cuban National Ballet: Giselle, in a staging by Alicia Alonso; Sep 23, 24

EXHIBITIONS
Musée d'Orsay
Tel: 33-1-4049 4814
www.Musee-Orsay.fr
Millet/Van Gogh: display of 85 works brought together to demonstrate the influence of Millet on the work of Van Gogh. These include paintings, drawings and pastels by both artists, many of them on loan from the Van Gogh Museum in *Amsterdam; to Jan 3*

Musée du Louvre
Tel: 33-1-4020 5151
www.louvre.fr
● Astronomy and Astrology in the Islamic World: display of instruments developed by Arab astronomers between the 8th and 15th centuries, shown alongside a selection of everyday and religious objects decorated with astrological designs; to Sep 21
● Bassano and His Sons: works by the Venetian painter Jacopo Bassano (1510-1592) and his sons. The display brings together works owned by the Louvre with loans from other French museums; to Sep 21

SAN FRANCISCO

OPERA
San Francisco Opera, War Memorial Opera House
Tel: 1-415-864 3330
www.sfopera.com
A Streetcar Named Desire: world premiere of a new opera by André Previn, with a libretto by Philip Littell based on Tennessee Williams' play. The staging is by Colin Graham. André Previn conducts and the cast stars Renée Fleming; Sep 23, 26

TOKYO

CONCERT
Suntory Hall
Tel: 81-3-3584 9999
Japan Virtuoso Symphony Orchestra: conducted by Philippe Entremont in works by Berlioz and Beethoven; Sep 21

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22.00: *World Business Today Update*

● **Business/Market Reports:**
05:07; 06:07; 07:07; 08:20; 09:20; 10:20; 11:20; 11:32; 12:20; 13:20; 14:20.

At 08:20 Tanya Beckett of FTTV reports live from LIFFE as the London market opens.

COMMENT & ANALYSIS

PHILIP STEPHENS

Third way ahead

Bill Clinton, Tony Blair, Romano Prodi and others are looking for ways to add intellectual nourishment to centre left politics

Politics needs a narrative. Today's political leaders are drawn from the managerial classes. The prophets and philosophers have made way for lawyers and management consultants. They cannot change the world, they shrug. The best they can do is help us to survive in it. In this era of global markets, we must set them modest performance targets.

And yet . . . These same leaders are discomfited by the admission. They know that without ideas and inspiration, politics cannot conceal its hollowness. Pragmatism must make some connection with principle.

Here we find the explanation for the efforts of Bill Clinton, Tony Blair, Romano Prodi and others to add intellectual nourishment to the politics of the centre left. Progessive politicians, as they call themselves, have returned to power across the west.

A victory for Gerhard Schroder over Helmut Kohl in this month's German elections would draw a final symbolic line under what, not so long ago, seemed a permanent hegemony of the right. But the centre left needs a theory to underpin the practice of government.

Thus far these new leaders have prospered from their determination to dump the old ideologies of the left. What counts is what works, they tell us. Without shame, they will borrow policies from left and right. If need be, they will split the difference between Marx and Hayek. Dick Morris, the disgraced former pollster for the now disgraced US president, coined the phrase triangulation: a marriage of the generosity of liberalism with the realism of conservatism. Mr Clinton and Mr Blair prefer to call it the Third Way.

We cannot fault the political strategy. The left had to rebrand itself or die. The middle classes needed reassurance that it had abandoned its love affair with big government. Campaigns need slogans. And a promise to civilise the marketplace rather than dismantle it answers the contradictory impulses of the age. We don't want governments to substitute themselves for Adam Smith's invisible hand. They can sometimes steer it in a friendlier direction.

There is another break with the past. The left used to define itself by its commitment to equality of outcomes. The aspiration always owed more to romance than reality, but it provided an ideological anchor nonetheless. In place of equality Messrs Clinton and Blair promise social mobility.

All this tells us what the Third Way isn't. As Mr Blair remarks in a new tract published to coincide with today's Third Way seminar with Mr Clinton and Mr Prodi in New York, it is neither the statism of the Old Left nor the neo-liberalism of the New Right. It is not the size of the state that matters, but its leverage. To Mr Blair's mind, small (or let's say medium-sized) government can also be strong government.

Beyond that it is easy to become lost. There is nothing new in the ambition of remaking the path between market liberalism and social justice. During the cold war years, Sweden called it the Middle Way. The subsequent seismic shift in the political landscape during the 1980s stranded this model on the left.

Something similar has been happening to the postwar social democratic settlements in France and, to a lesser extent, Germany. But thus far the Clinton-Blair Third Way has been more illuminating as a description of the dilemmas of centre-left governments than as a new political credo.

To be fair, Mr Clinton has shown how the means of the right can occasionally be harnessed to the ends of the left. The earned income tax credit has delivered higher incomes to the working poor while winning the approval of middle America. Tax credits for education have served the same purpose.

Mr Clinton is more than a caring conservative. How else can one explain the rock solid support for the president from African-Americans as the Monica Lewinsky scandal takes its remorselessly futile course?

Mr Blair has his own examples. For all his government's over-zealous commitment to the economic orthodoxy of the times, there has been a fair amount of redistribution by stealth. Its welfare-to-work programmes, a new working families tax credit and substantial increases in spending on health and education programmes defy the oft-cited continuity with Thatcherism.

The confusion sets in when the Third Way label is applied indiscriminately as a post hoc justification for anything and everything. Thus some of Mr Blair's intellectual disciples will hold up the political settlement in Northern Ireland as an example of this new politics of the centre-left. We are asked to forget that the parameters of that accord were fairly precisely drawn by John Major's Conservative government.

Mr Clinton is apt to play the same trick. A welfare reform programme written by the Republicans is recast as a New Democrat flagship only after the president is obliged to sign it into law. Thus the Third Way becomes no more than an accommodation with political reality. An unkind observer might ask how long will it be before Mr Clinton's curious sexual tryst with Ms Lewinsky is described as the Third Way between fidelity and adultery.

Some imprecision is inevitable. Reality never fits neatly with theory. Ultimately, governments define themselves by what they do rather than what they say. And Mr Blair, for one, sounds more convincing when he eschews some of the obscure jargon of the Third Way to speak in more familiar terms of modernising social democracy. Here government remains an essential instrument of progress. But regulation replaces ownership.

What's missing is an admission that the familiar lines between left and right – those between tax cuts and spending, income inequality and redistribution – cannot be dodged. There will always be a choice between tax cuts for the middle classes of Middle America and Middle England and increased spending to lever up the life chances of the poor. The Third Way does not tell us where the line will be drawn. Only that, somehow, it can satisfy both constituencies.

There is though, a much bigger threat to this new politics of the centre-left. With cruel irony, the gospel of slim but effective government is being preached at just the moment when we see politics and politicians at their most ineffectual.

The present gale blowing through the global financial system has shown them powerless. Markets, we are learning, are ruthless of the pretensions of our politicians. Where, I wonder, is the Third Way which leads us out of world recession.

LETTERS TO THE EDITOR

Criticism over high costs of share dealing is unfairly targeted

From Mr Alex McClarty.

Sir, I refer to your report "Cheaper European share dealing move" (September 14) about brokers' plans for reducing dealing costs on top 300 companies across Europe. British brokers are very cheeky in putting the blame for high dealing costs on their continental European colleagues.

The fact is that the cost of buying shares in the UK is much higher than here in Germany. I pay less than 0.5 per cent in costs on deals of just over £1,000, whereas such deals can cost four times as much in the UK.

The charges with my direct broker are on a sliding scale so that it becomes rapidly very cheap to buy and sell. It makes sense to buy UK shares on the German bourse.

Add to this the much narrower spreads in Germany, the electronic settlement within two days (compared to mostly cheque settlement after five days in the UK), a nominal DM5 for transfers between currency accounts at the mid-rate, and a nominal 0.1 per cent for a nominee account per annum, and the fee-hungry British brokerages look like they could be out of business soon if they don't change their ways.

Alex McClarty,
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81825 Munich,
Germany

Unpayable debts target

From Mr Adrian Lovett.

Sir, You are wrong to represent the Jubilee 2000 Coalition's message as "simply writing off all debts at a stroke" ("Moral debt", September 15). We call for the cancellation of the unpayable debts of the world's poorest countries by the end of the year 2000 and we are quite clear that any new resources freed should meet the urgent human needs of those countries.

It is not beyond the combined capability of creditors, debtors and civil society in debtor countries to ensure that this happens – particularly with the benefit of constructive proposals emerging from Oxfam, Christian Aid, Cafod and other members of the Jubilee 2000 Coalition.

However, if there is not the real political will to act on the part of lending governments and institutions, the argument over conditions will be little more than academic – and offers a convenient excuse for doing nothing. This, as your editorial states, will certainly not do.

Adrian Lovett,
deputy director,
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London SE1 7RT, UK

Good reason not to teach technology

From Mr Marcus Davison.

Sir, Baroness Blackstone, UK higher education minister, says "an understanding of technology is likely to be at least as important as specialist knowledge which may be out of date within months" ("Minister attacks 'elite' exam", September 18).

The fourth of my five children has just entered the sixth form to study German, French, Italian and History. As I am unaware of any plans to exterminate the populations of Germany, France or Italy "within months", can I take it that in my daughter's case the minister is referring to her boss's strenuous efforts to rewrite the history book?

More seriously, Baroness Blackstone is of course right that we should not teach children things which will rapidly become useless, because what they learn in their first 15 years or so gets tucked away in a precious part of the memory which does not fade. All the more reason *not* to teach them technology.

Every August the press coverage of the GCSE results includes the inevitable item about the youngest person ever to gain a GCSE pass. This year it was a six-year-old, but every year it is the same subject – IT. We need only to reflect briefly on what computers were like ten years ago to realise that much of what this poor child has learned will be obsolete by the time he or she reaches the normal age for sitting GCSE. And what will the child do then? Apply to the exam board to have his/her 1998 pass in IT reclassified as a distinction in industrial archaeology?

Down with hexadecimals! Up with hexameters!

Marcus Davison,
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UK

Bundesbank more preoccupied with inflation than money stock

From Mr Terry O'Shaughnessy.

Sir, Wolfgang Münchau is right when he says that there is a battle over the European Central Bank's monetary strategy, but wrong about the Bundesbank's position ("Experts ponder monetary strategy", September 15).

He says the Bundesbank is backing monetary targeting in part because it has worked in Germany. However, the evidence (eg Bernanke and Mihov, European Economic Review, 1997) is that the Bundesbank takes less notice of monetary aggregates than Mr Münchau supposes.

The Bundesbank is unlikely to tighten policy in the face of unexpectedly rapid monetary growth if other indicators point to lower rather than higher inflation. In other words, the Bundesbank really targets inflation, not the money stock.

The battle, then, is between an explicit inflation target and an inflation target which must be deduced by estimating a central bank's "reaction function".

The former approach has all the advantages: it is transparent, it makes sense to market participants and it targets something that matters. Better still, if the target is externally set, it can serve to give central bankers proper incentives.

And if the target is set by a democratically accountable body (as in the UK or New Zealand) it has some chance of maintaining public support.

The alternative would be like company directors deciding on their own incentive scheme – in secret – based on a performance measure which does not matter to anyone and which can, if necessary, be manipulated to make the board look good. Surely, this would not happen?

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ECONOMICS NOTEBOOK WOLFGANG MUNCHAU

A leadership in denial

Europe's central bankers have no appetite for global power. So they will ignore the existence of a crisis in Asia, Russia or Latin America until it has some impact on them

The complacency of European central bankers in their response to the international financial crisis is breathtaking. "We do what we can do, but there is not much we can do." These are the words of leadership offered by Wim Duisenberg, president of the European central bank. Speaking in The Hague over the weekend, he acknowledged that the crisis would have some effect, but said that Europe would remain "an oasis of peace".

Looking on: Wim Duisenberg (left) and Hans Tietmeyer

Europe's political elites always saw in economic and monetary union a way to challenge America's global economic dominance, although they do not like to admit this in public.

The trouble is that the central bankers in charge of running the single currency have no appetite for global leadership. They interpret their constitutional role as narrowly as possible in terms of euro-zone price stability. The consequence of this dichotomy is a black hole of power without responsibility.

We do not know exactly what Mr Duisenberg meant by his statement – let alone what it is that he and his colleagues are actually doing to help – but the outside world will interpret his words as the equivalent of waving two fingers.

Mr Duisenberg is not unique in this respect. He is only blunter and perhaps politically less sensitive than other European central bankers. He just says what they think.

Ask almost any of them, central banker or economy minister, and one finds they look at the crisis in Asia, Russia and Latin America purely in terms of the direct impact on Europe.

As long as the domestic econometric forecasting models do not start flashing any warnings, they will deny the existence of a crisis, let alone countenance a deflationary threat. In other words, it is a problem, but not theirs.

This view is complacent both in terms of the diagnosis of the problem and the potential economic consequences for Europe. The latest example is the Bundesbank's monthly report for September, which painted a glowing picture of the German economy. The report acknowledged that international events had had some effect on domestic economic growth, but said that this was more than compensated for by strong domestic demand and investment. All is well, according to the Bundesbank.

The International Monetary Fund is far more cautious in its latest economic assessment of the German economy, published over the weekend. It acknowledged that Germany was on a cyclical upswing, but said the external risks remained formidable.

There is, of course, no evidence to suggest that the international financial crisis will inevitably be deflationary. But the crisis does pose a systemic risk to the financial system and a possible loss of investor confidence – risks which are difficult to quantify.

So what do European central bankers think about the crisis itself? There is overwhelming agreement that the crisis is caused primarily by those who are suffering from it – a kind of divine justice. Europeans believe that it is caused by a combination of structural deficiencies in the affected countries – an undeveloped financial sector, crony capitalism, corruption – and moral hazard, for which they blame the IMF.

Moral hazard – the incentive to cheat in the absence of penalties – usually goes together with "adverse selection", the tendency of those who cheat to hide their identity.

In this particular case, moral hazard relates to investors and banks piling into emerging markets knowing they will get bailed out by IMF-led assistance when things go wrong.

Hans Tietmeyer, president of the Bundesbank, hardly misses an opportunity these days to warn about moral hazard and to call for economic reform in the affected regions as a necessary condition to a solution. He also repeatedly makes the point that monetary policy did not cause the crisis and will therefore not solve it either.

An example of different responses to an international financial crisis was the 1987 stock market crash. The Federal Reserve provided banks and financial institutions with generous liquidity on preferential rates and terms. The Bundesbank, by contrast, warned about incipient inflation, a fairly unpopular move at the time. On that occasion the Bundesbank was proved right by subsequent events.

Eleven years on, the difference in attitudes persists. At a recent conference in Frankfurt, organised jointly by the Bundesbank and the IMF, senior German officials publicly berated the IMF's top management. Jürgen Stark, then a senior German finance ministry official and now vice-president of the Bundesbank, argued that the IMF's bailout of Mexico after the 1994 crisis had directly contributed to the current crisis.

He said the bailout had triggered a narrowing of emerging market bond spreads, a sign that investors had lost their fear of risk. Taken a step further, his reasoning suggests that the IMF not only failed to prevent the current crisis, it actually caused it by luring investors into a false sense of security.

This is the classic moral hazard argument: investors cash in on the profits of their investments while the taxpayer bails them out in the event of a crisis.

It is an unfortunate fact that some sections of the German financial establishment look on the IMF as a gang of economic terrorists. But the moral hazard argument cannot easily be dismissed as paranoia.

The behaviour of investors did form a key element in the current crisis, and if investors were to be rewarded again for taking reckless risks, the seeds of the next financial crisis might already have been sown.

Yet the Europeans have no consistent alternative approach to offer either, and the regular denials only make matters worse. The French were right: the ECB may need a political counterweight after all, capable of providing leadership in times of crisis, something which Mr Duisenberg has conspicuously failed to do so far.

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FINANCIAL TIMES

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Monday September 21 1998

Unhappy video tape precedent

The decision by the House Judiciary Committee to release a videotape of President Bill Clinton's grand jury testimony about his affair with Monica Lewinsky is unwise and objectionable. It sends out some exceptionally depressing signals about the way the Congress is gearing itself up to consider impeachment proceedings against the president.

First, the decision challenges long-standing rules providing secrecy for witnesses at grand jury proceedings. It is true that these have already been undermined by prodigious leaking from all sides during the course of this inquiry.

It is also true that Mr Clinton's lawyers agreed that his testimony could be videotaped, to avoid the humiliation of him appearing in person before the jury and to allow any jurors who were absent that day to see it later. But taking this extra step, and putting Mr Clinton's whole performance on display in this fashion, sets an unhappy precedent.

It is also looks like an explicitly partisan move to embarrass the president. The vote on Friday went on straight party lines. Republican leaders have justified the move with the argument that the public should have the right to judge the credibility of the witness by watching him under cross-examination.

In reality, of course, most citizens will not settle down for many hours of concentrated viewing. Instead, they will watch the handful of extracts that will be pulled out by the news channels – and they by definition will be the ones that show Mr Clinton in a rage, or struggling for the weasel words to explain his behaviour, or simply at a loss to come up with anything to say at all. The testimony was no doubt a sorry affair, and the television channels will present its worst moments.

Finally, the suggestion that the American public should be put in the position of jurors in this affair is just plain wrong. The president's fate should not be decided by the opinion polls. It is for the Congress to decide, after carefully weighing up the facts and considering the alternatives in a solemn and bipartisan fashion.

Politicians must take notice of what their constituents think, but they also have to take direct responsibility for what may be the most serious decision they will ever be asked to make. The behaviour of Congress during the Watergate affair seems a model in this respect, and appears in marked contrast to what is going on now.

With any luck, the decision will backfire on those responsible for it. As far as one can tell, the US public does not relish the prospect of further humiliation being visited on the president. But that is a small comfort on what will be another bleak day for US politics.

Iran-Taliban

Tens of thousands of Iranian and Afghani troops are converging on their common border, marching to an ominously bellicose drumbeat. Iran will by this week have a 250,000-strong force in position to sharpen its demand that the Taliban militia hand over the murderers of nine Iranian diplomats after the fall of Mazar-i-Sharif last month.

In its recent military triumphs, the Sunni Moslem fanatics of the Taliban have slaughtered thousands of Shi'a Moslem opponents. The Shi'ite regime in Tehran is trying through diplomacy to prevent further massacres of its Afghan co-religionists, but any new incident could ignite a war.

A war would undermine Mohammad Khatami, the reformist Iranian president trying to rebuild a consensual civil society and bridges to the west, by restoring the hardline theocrats around Ayatollah Ali Khamenei, the Supreme Leader and armed forces chief, to political influence. Crushed by Mr Khatami's election landslide last year, the hardliners have now found the excuse to subordinate reform to "national security" demands, and have already started closing pro-Khatami newspapers.

Open conflict could also spread regionally, sucking in Pakistan which, with Saudi Arabia, is the Taliban's main backer. Turkmenistan, Tajikistan and Uzbekistan are worried about the Taliban's advance to their borders, the fate of their ethnic minorities in Afghanistan, and the subversion of their governments by Saudi and Taliban-inspired extremists.

Meanwhile, the US, which has colluded in the Taliban's rise, has failed to restrain its Saudi and Pakistani allies, while still talking about rapprochement with Iran. Tehran, unsurprisingly, smells a plot, but the reality is more prosaic: Washington's policies towards the Middle East and Central Asia are simply dysfunctional. The "Arab Afghan" terrorist network of Osama bin Laden came into being as part of the "blowback" from Washington's enthusiastic support for the Mujahedin's holy war against the Soviet occupation. And it is a US company which has just agreed on a $250m cellular phone deal with the neo-medieval Taliban.

Today at the UN, the US has the opportunity to meet at foreign minister level with Iran (as well as Pakistan, Russia, and Afghanistan's Central Asian neighbours) as part of efforts to end the Afghan war. Washington should use the opportunity to back Iran's demands for redress over its slain diplomats, warn off the Taliban and make clear that it can only win international recognition by conforming to international codes of conduct. Longer term, Washington might also try to develop a coherent policy towards the region.

Lost voice

Horst Köhler is facing a baptism of fire as president of the European Bank for Reconstruction and Development. His new charge should have been at the front of the international institutions providing leadership in the Russian turmoil. The bank has, instead, been notable for its silence.

Disgracefully, the institution was left to flounder without a president from January to September. This was thanks to European Union governments, which allowed the EBRD succession to fall hostage to the haggling over the appointment of a first governor to the European central bank. The interim management's motto of "business as usual" was inadequate to the challenge of events in Moscow. Now the bank must quickly find its voice if its role in fostering the transition to a market economy in of east Europe is not again to come into question.

The bank's first public effort to address the Russian crisis, two weeks ago, was not promising. With loan and investment commitments of $3.1bn, a quarter of its total banking portfolio, it was hardly surprising that the EBRD had been struggling to assess the damage to its own assets. But it owes it to its shareholders to draw wider lessons from the apparent collapse of reform efforts in Russia.

The case for an acceleration of the reform effort has never been stronger. The need for bank restructuring, improved standards of corporate governance, for transparency and regulation of financial markets, for greater concentration on combating corruption has never been more evident.

In the fast track reform countries of central Europe – Hungary, Poland, the Czech Republic and Slovenia – these lessons have been learned. The transition process has almost certainly become irreversible. Certainly, they cannot afford to waver, given their pursuit of early membership of the European Union. In such countries as Romania, Slovakia and Bulgaria, however, progress remains uncertain. The weakest countries, such as Ukraine, are teetering on the edge of default.

Unlike private investors the EBRD cannot withdraw from these risks. In confronting the Russian debacle, therefore, it must point out the devastating consequences, both for Russia itself and for other transition countries, of its apparently discriminatory treatment of foreign investors. More broadly, the bank owes it to its mandate to point out the gains that have been made by those who have undertaken root-and-branch reform and the pain to be suffered by those who fall short.

Revisiting of a deadly disease

Financial contagion is spreading to markets across the world. **John Plender** looks at the lessons to be learned from previous epidemics

Since the onset of the Asian crisis 15 months ago, financial contagion has spread insidiously, and now routinely, to the point where markets are being destabilised on a global basis. The spillover effects, initially from Asia and now from Russia, have hurt countries regardless of the soundness of their economic policies.

Small wonder that the credibility of the global financial system as an efficient allocator of capital is being severely eroded. Governments as different in outlook as those of Malaysia and Hong Kong have responded by introducing controls and intervening in markets. Others will follow.

Yet capital mobility remains an article of faith for the western policy establishment, even if the commitment has become less dogmatic in tone. The developed world appears unwilling to recognise that worsening contagion may result from flaws in the global banking system that call for a response closer to home.

Consider, first, the nature of the disease. Contagion comes in many forms, which are often associated with sudden changes in perceptions about risk. The common feature is a market response out of all proportion to economic reality.

While there is nothing new about the phenomenon, the potential for contagiously induced volatility has been hugely magnified by globalisation. Thailand's devaluation last year, in which a minor financial event ballooned into a regional crisis, was a classic instance.

From the moment doubt was cast on the sustainability of Thailand's pegged exchange rate, local borrowers across the region woke up to hitherto unacknowledged currency risk. They then felt obliged to hedge foreign currency debts, which put pressure on their domestic currencies.

What started as a technical effect changed economic fundamentals across Asia as other countries were obliged to devalue to preserve competitiveness. The weakness of the Japanese yen against the dollar made the problem worse, by giving rise to fears of a Chinese devaluation.

In the case of the recent Russian devaluation and default, similar problems were compounded by a new factor: serious damage to the credibility in crisis management of the International Monetary Fund and the US Treasury. Hence the widespread fallout from a country that was marginal in world trade and in the global economy.

As with Asia, there was a tendency for foreign investors who had bought Russian assets with borrowed money to sell other unrelated investments to satisfy margin calls. These sales were accompanied by a more general "flight to quality", notably into the US bond market.

This is sometimes dubbed "pure" contagion, since capital is driven not by fundamental economic considerations but by a mixture of panic, the herd instinct, and the attempt to shore up the fund managers' own over-borrowed balance sheets.

The final twist is that the interventionist response to contagion by Malaysia and others will now, in itself, breed another wave of contagion, since global investors will expect a higher risk premium from all emerging markets, including market-friendly ones.

The global nature of this outbreak of contagion is not unprecedented. In an earlier period of much greater financial integration – the gold standard era of 1870 to 1914 (see chart) – there were frequent currency and banking crises like today's. In 1873 and 1894-96, for example, the US gold standard parity came under speculative attack. Close linkages in capital and commodity markets provided a powerful transmission mechanism for shocks.

Yet there are instructive differences between the two periods. Technology has vastly accelerated the speed with which shocks are transmitted, thus multiplying the destabilising potential of news. Concentration of investment in professional managers' hands reinforces this volatility.

Perhaps the most important difference, though, concerns the extent to which capital flows are leveraged by borrowing. As David Hale of Zurich Group points out, 19th-century capital flows were mainly unleveraged. About 5,000 British families and 20,000 continental European families provided personal capital for the bond and equity markets to finance much of the developing world's infrastructure. This was mainly "patient", long-term portfolio capital looking for a higher income return than at home.

Today, capital is less productively deployed and much of it has been going to countries with high rates of domestic saving. A recent IMF study showed that capital inflows in the 1990s amounted to only 10 per cent of domestic investment in emerging markets, and that almost half of the total net flows during 1990-96 went into official reserves. These were mainly recycled back to the developed world in a futile round trip.

And a growing proportion of global capital is leveraged, most notably in the case of the hedge funds. Estimates of global hedge fund resources range up to $400bn; and many of these 4,000-5,000 unregulated offshore funds specialise in emerging markets. For perspective, that $400bn is more than the World Bank's estimate for the outstanding bond market debt of the developing countries. It is also more than double the combined equity market capitalisation of Thailand, South Korea and Indonesia at the start of the Asian crisis last July.

These comparisons do not take leverage into account. It is not uncommon for hedge funds to borrow five or six times their investors' funds in pursuit of high returns. Further leverage is built into the structure of the derivative instruments used by hedge funds, such as swaps and options.

Contagion comes in many forms, often associated with sudden changes in risk perceptions

Mr Hale argues that the world has never before had such a large pool of capital dedicated to highly leveraged speculative activity focused on the markets of small- and medium-sized countries. Short-termism is an inevitable feature of the management style because such leverage imposes abrupt portfolio changes when banks make margin calls.

The markets in such countries cannot readily absorb the resulting shocks. The extent of the imbalance is well illustrated by the widely quoted statistic that a single hedge fund had a short position in the Thai currency last year equivalent to 20 per cent of the country's official reserves. The scope for destabilisation, and for "pure" contagion, in such situations is immediately apparent.

As the recent spate of announcements about bank losses in Russia has underlined, the hedge funds are not alone in speculating in emerging market securities. The proprietary trading activities of the banks are likewise directed at exploiting short-term trading opportunities; and banking itself is a highly leveraged activity.

The readiness of commercial banks to engage in this high-risk own-account dealing is all of a piece with their willingness to finance highly leveraged hedge funds. It is partly a response to the loss of their larger corporate clients, who now raise money directly from the markets. The banks have been forced to look for new sources of business. These are inevitably more risky.

The striking feature of much of this bank dealing activity is that it is underwritten by an implicit state guarantee, since many of the banks are regarded as too big to fail. Excessive risk-taking could result in a liability on developed countries' taxpayers, in the event of losses that posed a systemic threat.

In the early stages of the Asian crisis the problem of leverage chiefly concerned the plight of private sector borrowers in countries where financial systems were deficient in equity capital. As the crisis has spread across the world, financial instability is increasingly being generated by creditors rather than debtors – witness the extent to which countries that are not afflicted by obvious economic imbalances have been penalised.

Who, then, can blame those like Malaysia's Mahathir Mohamad, however unattractive their crony capitalism, for imposing controls on foreign capital? He could fairly argue that such flows are reliable only in adding liquidity when it is not needed and taking it away when banking systems are in trouble.

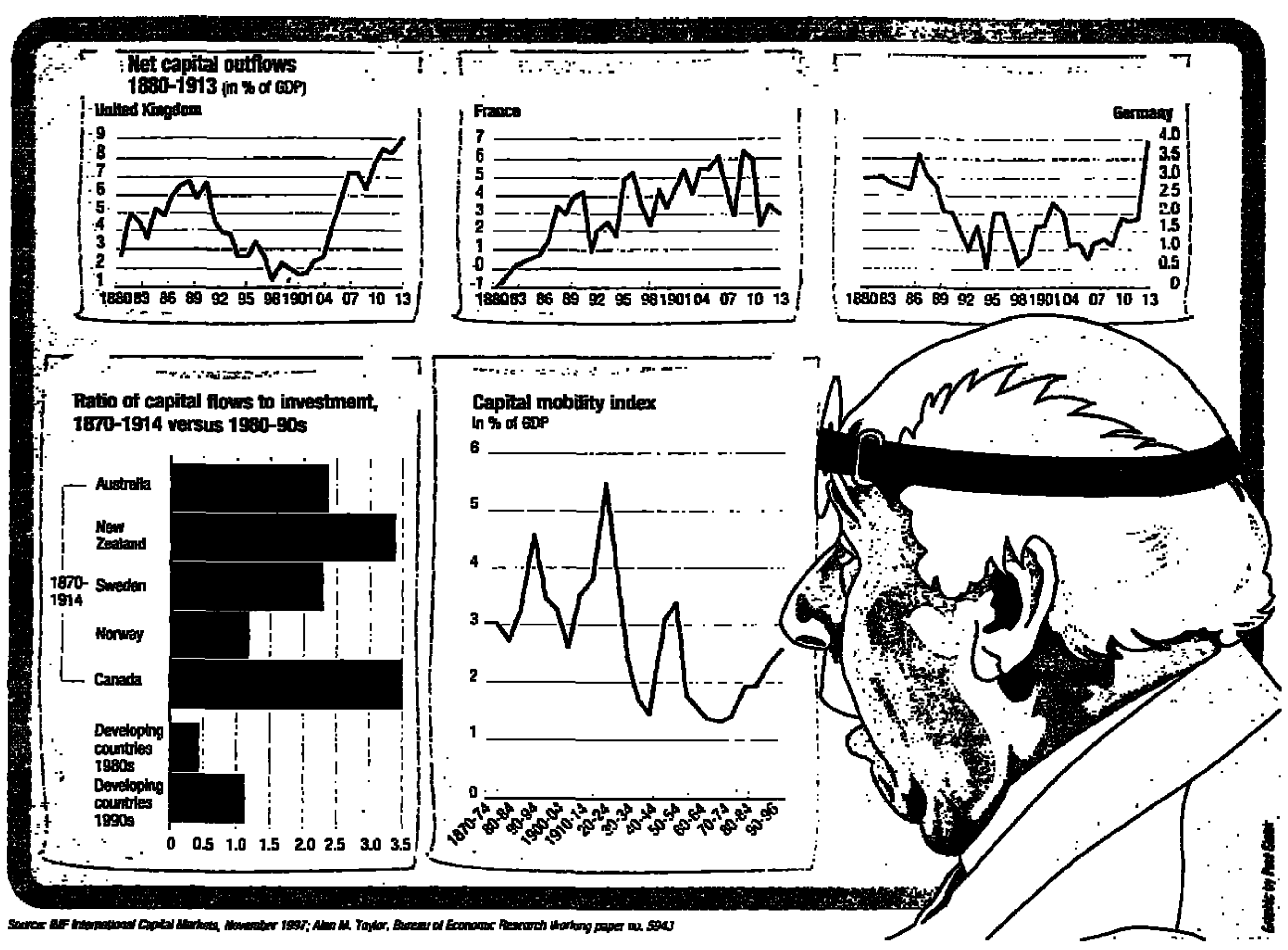
To placate global capital, Asians have had to endure interest rates that inflict further shrinkage on their domestic economies. It is hardly surprising if they heed the advice of Paul Krugman, the US economist, and try temporarily to sever the link between domestic interest rates and the exchange rate.

Whether the introduction of exchange controls will work is another matter. But the only moral as opposed to practical objection lies with other emerging economies where sound economic policy is now penalised by a higher risk premium.

It is not in the long-run interest of the developed world for emerging markets to be destabilised by excessively volatile capital. If the hedge funds and banks misjudge the risks in their speculative dealing, which is all too plausible, there could be a potential systemic threat arising from contagion within the banking system itself. This calls for a policy response. James Tobin, the Nobel Prize-winning economist, has argued for "throwing sand in the machine" by imposing a transactions tax. Yet it is hard to believe global agreement could be reached on imposing such an impost.

A more effective restraint – and a clear imperative – would be an amendment to the Basle capital adequacy regime to raise the cost of proprietary trading and of bank lending to hedge funds. It is bizarre that western governments have allowed insured deposits of the global banking system to be used in morally hazardous destabilising speculation of this kind – especially when it could saddle their exchequers with a very large bill.

Have we been here before?



Source: IMF International Capital Markets, November 1997; Alan M. Taylor, Bureau of Economic Research Working paper no. 5943

OBSERVER

Full charge at the banks

Who said Canadian banking was boring? The battle over mergers in the sector is taking on the trappings of a medieval tournament.

John McCallum, the Royal Bank of Canada's chief economist, has thrown down the gauntlet, accusing competitor ScotiaBank of propagating "distortions, myths and unsubstantiated assertions" about two proposed banking marriages. One would see Royal join the Bank of Montreal and the other would merge Toronto-Dominion with the Canadian Imperial Bank of Commerce.

ScotiaBank, the lone bachelor, has urged the federal government to block the blissful unions, warning of unhealthy levels of concentration. So McCallum has challenged ScotiaBank chairman Peter Godsoe to nominate his own chief economist, Warren Jestin, to debate publicly the mergers.

Such confrontation is rare in the button-down banking world. But the merger fight is no ordinary contest. While the four banks have staked their economic futures on the deals, the political future of Paul Martin, Canadian finance minister, may depend on blocking them.

Martin wants to be the next prime minister, which will need the backing of his own Liberal party caucus. But many backbenchers hail from small towns that fear half their local bank branches will close if the mergers go ahead. Nothing would make Martin happier than some good, sound reasons for saying no. Let the jousting begin.

Slovakian stars

So who else is flying in to add a touch of badly-needed sparkle to prime minister Vladimir Meciar's campaign as the Slovak elections enter their final round?

The latest to turn up at the weekend was enduring cinema sexpot Claudia Cardinale, who joined Meciar on a chat show. Somehow, the prime minister's party has already managed to persuade supermodel Claudia Schiffer to join him in opening a stretch of motorway, though French actor Jean-Paul Belmondo sent his son to cut the ribbon on another bit of road.

The latest rumour is that rugged French heart-throb Gerard Depardieu is also on his way with a pair of scissors. All the celebrities deny their visits have anything to do with politics, it's just that they love Slovakia. But big business supporters of the former boxer-turned-prime minister who privatised state assets cheaply are clearly coughing up cash to bring out the stars.

Meciar does some things on his own, however. He's just laid a foundation stone at a new Volkswagen factory; curiously, no VW people were present and it denies any decision on a new plant has been made.

Alberto opens up

It wasn't what he said, it was the fact he opened his mouth at all. Peruvian president Alberto Fujimori's mysterious security adviser, Vladimiro Montesinos, has emerged from the shadows.

Montesinos, who wears his black hair slicked back in the style of a 1920s tango singer, is de facto chief of the feared intelligence services, which have played a big role in a successful campaign against Peru's rebels. But they've also been linked to murder, torture and other human rights abuses.

Dismissed as an army captain, Montesinos was jailed for one year in the 1970s after being charged with selling military secrets. He became a lawyer defending drug traffickers before becoming Fujimori's security adviser in 1990.

His public utterances last week, prompted by the capture of a guerrilla column, were in themselves of little consequence. But opposition legislators reckon his brief appearance before the cameras forms the start of a bid to clean up the image of the second most powerful man in Peru. Victor Joy Way, president of congress, says he sees no reason why Montesinos shouldn't run for parliament in the next elections. Close colleagues say he could even have an eye on Fujimori's job. His dubious record? That's regarded as more of a political challenge than an obstacle.

Ethan hawkish

Troubled Japanese securities outfit Nomura Securities has clearly been learning western ways. Capital America, its US mortgage lending and securitisation arm, may have lost $200m in the past six months and waved goodbye to founder and vice-chairman Ethan Penner. But while departing Japanese executives who preside over a company's slide into heavy losses tend to express their sorrow and shame, 37-year-old Penner – he apparently resigned because of Nomura's unwillingness to leave him in total control of the business – appears utterly unruffled. The $30m severance package he received must have helped.

Even though Capital America's losses are largely the result of market forces, rather than its unusually aggressive approach to the business, there are some who believe Penner could sound more contrite. But he says he plans to start his own finance company, adding: "Just because da Vinci painted the Mona Lisa doesn't mean he stopped painting." Let's hope he doesn't paint himself into another corner.

The Financial Times

100 years ago

Turmoil in Paris
The wildest and most fantastic rumours are being spread. Only the other day, one of those Paris sheets which go in for sensational items had a dramatic account of an angry discussion between M. Faure, the President, and M. Brisson, the Prime Minister. They were represented as being about to come to blows, with the Minister of War interposing, and the whole Council of Ministers holding on to the would-be combatants' coat-tails. Of course, the whole thing was an invention, but such is the present upside-down condition of things that there were not wanting people to believe it.

50 years ago

Tobacco "Famine"
Mr. John B. Hutson, president of Tobacco Associates Incorporated – chief trade organisation of American tobacco producers – is to visit London to look into Britain's tobacco "famine." He is expected to make a personal check on charges that recent British tobacco purchases in "soft currency" countries discriminated against American growers and infringe the Anglo-American financial agreement.

FINANCIAL TIMES

MONDAY SEPTEMBER 21 1998

THE LEX COLUMN

Un-Pacific alliance

Want to wave a red rag at a regulator or two? Tell the world you plan to expand an alliance which has yet to get regulatory approval even in its original form. The BA/AA tie-up has been two years in the wrangling and although the shape of a deal is emerging, it could still be scuppered. BA/AA may judge the demands to give up rather than sell landing and take-off slots too heavy a financial sacrifice. The US authorities may strike a tougher stance on opening up Heathrow airport to US airlines. So is this really the time for BA/AA to up the ante? The answer is yes.

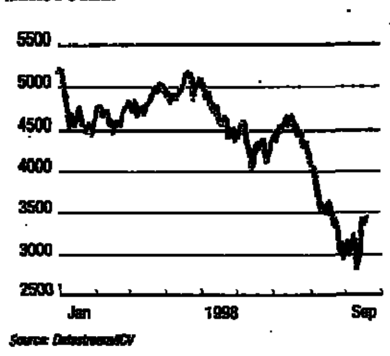
If BA/AA does not lock in the few footloose and desirable airlines left, such as Cathay Pacific, others will. BA/AA has already lost valuable ground to the Star alliance, headed by Lufthansa and United Airlines. Of course, the timing could be better. Trumpeting a tie-up with an Asian airline that has just recorded its first loss in more than two decades damps the excitement. But these alliances are in it for the long haul. BA/AA needs an Asian leg to compete with Star and Cathay is still a valuable franchise. Eyebrows may rise in Brussels, London and Washington on news of a new BA/AA partner. But it should not affect the regulators' decision on whether to allow the BA/AA alliance. That debate is essentially about competition on transatlantic routes and an open-skies deal between the UK and US.

Mexico

When it comes to weathering international shocks, Mexico has an advantage over its Latin American neighbours – recent experience. Spurred by the 1995 "tequila crisis", Mexico has opened its economy, privatised its banks and pushed through fiscal reform. Despite a sharp fall in the price of oil, which brings in a third of government revenues, the fiscal deficit is a manageable 1½ per cent of GDP. Most important of all, by allowing its currency to float freely, Mexico can absorb much of the pressure on its economy through the exchange rate.

That does not mean everything is peachy. Although the peso has declined 14 per cent since mid-August, interest rates have still doubled to more than 40 per cent. Not surprisingly, the economy is slowing sharply, though it should still grow 2 per cent next year, when Brazil will probably be in outright recession. Mexico also has high debt levels, with about $150bn of combined public and private sector external borrowings. But at 36 per cent of GDP that is comparable with Argentina and lower than most Asian countries. Meanwhile, domestic debt at $30bn is small.

Mexican equities
Mexico IPC index



Source: Datastream/ICV

One of the reasons Mexico has been badly hit despite decent fundamentals is its relatively unstable domestic politics. The opposition-led congress delights in embarrassing President Zedillo's administration. But investors should remember that Mexico has an ace in the hole: its strategic importance to the US and membership of the Nafta free trade area should guarantee a swift intervention from Uncle Sam if the trouble worsens.

Pernod Ricard

The sale of Orangina to Coca-Cola for FFr5bn ($887), about four times sales, always looked a juicy deal for Pernod Ricard. No wonder it remains keen to sort out the distribution issue which appears to be blocking the transaction. However, if Coca-Cola does sign away distribution of Orangina to catering outlets, it may seek compensation via a reduced offer. And if the conditions sought by the competition authorities are even more onerous, it might walk away.

Such obstacles could be seen as anti-foreign takeover activity by the French government. But this would be largely misplaced. Coca-Cola has 37 per cent of the French soft drinks market. Add in 10 per cent for Orangina and Coke would be about four times the size of its nearest rival, Cadbury Schweppes. That is bound to ring alarm bells, even though a market that excludes fruit juice and bottled water is rather narrowly defined. In any case, the main trade complainant is another US company, PepsiCo, which is making vigorous use of anti-trust regulations to try to thwart its enemy in the US and Italy as well as France.

If the deal falls through, Orangina, an under-exploited brand, might be attractive – at a lower price – to other rivals. Market conditions do not favour a flotation and an independent Orangina would still lack international marketing clout. With FFr10bn already in the bank, Pernod Ricard has no need to sell out cheaply.

US earnings

Squeezed between crisis overseas and a slowdown at home, even mighty corporate America is starting to wobble. Third quarter earnings are expected to show a small decline – the first such fall since 1991, according to First Call, which collects analysts' forecasts. Commodity and technology stocks have long been suffering. But they are now being joined by a worrying number of blue chips, from Walt Disney to Gillette. Meanwhile, financial stocks, previously star performers, have been hit hard by overseas trading losses.

The outlook is equally bleak. Do not be fooled by bottom-up analysts' forecasts of 19 per cent for 1999. Their forecasts have proved hopelessly wrong this year. Even the more sober-minded expectations of top-down equity strategists, for about 8 per cent growth next year, may prove optimistic.

Where does that leave valuations? Having corrected by 15 per cent, the S&P 500 index is trading at a price/earnings ratio of 21 times for 1999, down from its peak of more than 25 times. The key now is whether expectations of long-term earnings growth are changing. So far, these have remained unimpaired at about 12 per cent a year for the next five years. But as the crisis drags on, this number is becoming less believable, especially since the S&P's historic growth rate is only 7 per cent. Once long-term forecasts fall, even declining bond yields may not be enough to support stocks.

Primakov asks west for help to underpin reforms

Russia needs to win time to make 'essential' corrections, PM says

By John Thornhill in Moscow

Yevgeny Primakov, Russia's prime minister, yesterday said his country had sufficient reserves to avoid defaulting on its debts but appealed for additional financial support to underpin future reforms. "Foreign help is needed, very needed," he said.

This week, the Paris Club of sovereign creditors will meet to discuss Russia's debt burden after it missed virtually all of an DM800m ($440m) interest payment on restructured Soviet-era debt. The Paris Club will also discuss ways of rescheduling an estimated $54bn of Indonesian debt.

Acknowledging foreign investors had lost confidence in Russia in the wake of the country's financial meltdown, Mr Primakov said his government would make every effort to entice them back, although talks with the International Monetary Fund ended inconclusively last week. "They say to us: draw up a programme and it is possible we will support it with credits. But it would be good if the international organisations understood that we need the credits to win time to stay on the reform course while conducting some essential corrections," Mr Primakov said.

Other ministers have warned that, if the IMF does not soon release the next $4.3bn tranche of its support loan, the government will be forced to print money to pay delayed wages and pensions. The central bank has already begun injecting large-scale credits into Russian banks in an attempt to free the paralysed banking system.

The central bank last week conceded it would print billions of roubles to clear Russia's gridlocked payments system. The bank has in effect agreed to print money to redeem frozen government debt at par, enabling commercial banks to pay their depositors. The bank will announce further details today but one government source suggested it could involve the issuance of about Rbs9bn of new money.

The government is also thought to be considering printing up to an additional Rbs45bn this week to pay wages and pensions. The aim is to draw the sting out of a day of mass protests planned for October 7.

The Russian media, which wholeheartedly approved Mr Primakov's appointment, has been growing increasingly critical of the prime minister's cautious moves to deal with the country's deepening economic crisis.

The Kommersant business newspaper on Saturday accused Mr Primakov of achieving "catastrophically little" since being approved on September 11.

After a brief recovery, the rouble has been plumbing new depths in recent days while Russia's tradeable Soviet-era debt, known as Prins, fell on Friday to less than 8 cents on the US dollar, implying an extremely high risk of default.

To add to Mr Primakov's concerns, Yuri Skuratov, the prosecutor general, last week launched an investigation into whether the central bank had misused the proceeds of a $4.8bn loan disbursed by the IMF in July.

Russia's topsy-turvy world, Page 3

Sweden faces weakened minority government after SDP poll knock

By Tim Burt in Stockholm

Sweden was last night braced for a weakened minority government following the worst election performance in more than 70 years by the ruling Social Democratic party.

Although the left-of-centre party looked set to remain the largest parliamentary group, early results in yesterday's poll indicated the SDP would be unable to form a workable government without the support of the former communist Left party, which seeks a sharp increase in public spending and favours Sweden's withdrawal from the European Union.

Support for the SDP – architects of Sweden's generous welfare state – looked set to fall from 45.3 per cent in the 1994 election to 36.6 per cent following defection to the Left of voters discontented at the government's tight spending policies. The Left saw its share of the vote jump from 6.2 to 13.3 per cent.

The results, if confirmed in the final count, would represent the best showing by the Left party since 1945 and could mark a watershed for the SDP, which has ruled for 57 of the last 66 years. The turnout fell to below 80 per cent for the first time in modern Swedish history.

As 6.7m Swedes went to the polls, several economists warned that an SDP government relying on the Left would be forced to embark on expansionary spending policies and would further delay any decision on Swedish participation in European economic and monetary union. Such a pact would almost certainly rule out any cut in Sweden's high income taxes.

Göran Persson, the Swedish prime minister and SDP leader, yesterday said his party could co-operate with any party excluding the Moderates, but he appeared to rule out a formal coalition with the Left.

"We have never talked of forming a coalition government with the Left party," said Mr Persson. "I want a strong Social Democratic government, but I will not sit in one that starts risking the state finances."

Nevertheless, the Social Democrats would have to rely on the Left to enact legislation. If the SDP failed to reach an agreement with the Left, it could clear the way for Carl Bildt, the Moderate party leader and former international peace envoy to Bosnia, to form a four-party non-socialist government. But such a combination may also fall short of the 175 parliamentary seats needed to form a majority.

Support for the Moderate party is thought to have remained flat at around 22 per cent, while the centrist Christian Democrats have seen their support more than double from their 4.1 per cent in the last election. The Christian Democrats – committed to a tax-cutting coalition with the Moderate, Liberal and Centre parties – have ruled out an alliance with the SDP.

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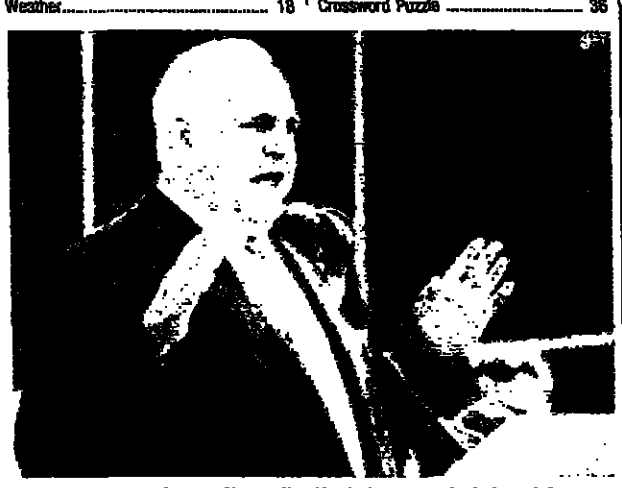

The gap is narrowing as Chancellor Kohl closes on rivals in opinion polls ahead of Sunday's federal election in Germany. Page 2 Picture: AP

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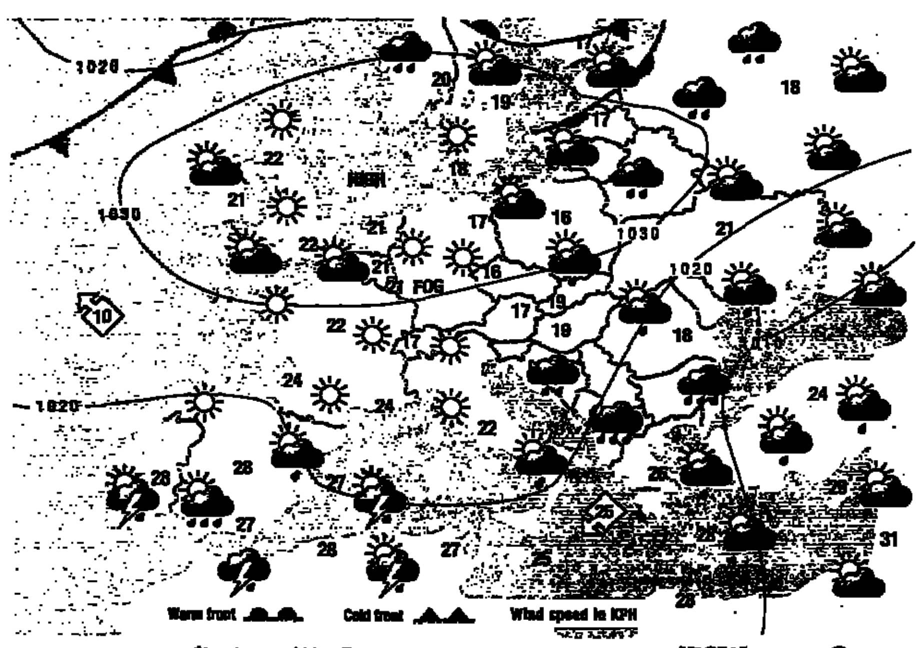
FT WEATHER GUIDE

Europe today

Norway will be cloudy and wet. Northern Sweden will have rain, clearing to sunny spells and scattered showers. Southern Sweden and Denmark will be dry with sunny spells. Finland will have some rain. The Low Countries, Germany, Austria, Switzerland and France will have fog patches to start, but these should clear by midday to give plenty of sunshine. Many parts of the Mediterranean and Balkans will have heavy showers, especially across the south of the Iberian peninsula.

Five-day forecast

Central and eastern parts of the Mediterranean will be showery throughout the week, the showers being thundery and prolonged in places. High pressure will keep central and northern Europe dry and settled, with most parts having long sunny periods, although overnight fog may persist in places.



Situation at midday. Temperatures maximum for day. Forecasts by PA WEATHERCENTRE

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	Sun	37
Accra	Fair	28
Algiers	Thunder	28
Amsterdam	Fair	21
Athens	Shower	26
Atlanta	Thunder	25
B. Aires	Fair	12
B.ham	Sun	22
Bangkok	Thunder	32
Barcelona	Shower	24
Beijing	Fair	27
Belfast	Fair	21
Belgrade	Shower	19
Berlin	Fair	17
Bermuda	Shower	29
Bogota	Shower	18
Bombay	Shower	30
Brussels	Fog	21
Budapest	Fair	19
C.hagen	Fair	18
Cairo	Sun	32
Caracas	Fair	32
Cardiff	Fair	22
Casablanca	Fair	25
Chicago	Fair	21
Cologne	Fair	20
Dakar	Fair	31
Dallas	Sun	38
Delhi	Shower	33
Dubai	Sun	39
Dublin	Fair	21
Dubrovnik	Fair	22
Edinburgh	Fair	21
Faro	Shower	27
Frankfurt	Fair	19
Geneva	Fair	17
Gibraltar	Shower	25
Glasgow	Fair	21
Hamburg	Fair	19
Helsinki	Shower	17
Hong Kong	Sun	30
Honolulu	Fair	31
Istanbul	Thunder	22
Jakarta	Cloudy	34
Jersey	Fair	20
Johannesburg	Fair	21
Karachi	Fair	35
Kuwait	Sun	43
L. Angeles	Sun	25
Las Palmas	Fair	28
Lima	Fair	22
Lisbon	Shower	28
London	Fair	22
Lux.bourg	Fog	21
Lyon	Fair	20
Madeira	Fair	26
Madrid	Fair	28
Majorca	Shower	27
Malta	Fair	25
Manchester	Sun	23
Manila	Shower	32
Melbourne	Fair	22
Mexico City	Shower	23
Miami	Shower	33
Milan	Fair	24
Montreal	Shower	25
Moscow	Fair	18
Munich	Fair	18
Nairobi	Fair	28
Naples	Fair	25
Nassau	Thunder	30
New York	Fair	28
Nice	Shower	24
Nicosia	Sun	29
Oslo	Fair	20
Paris	Sun	22
Perth	Shower	18
Prague	Fair	18
Rangoon	Thunder	32
Reykjavik	Shower	10
Rio	Rain	22
Rome	Fair	22
S. Frsco	Sun	21
Seoul	Shower	25
Singapore	Cloudy	33
Stockholm	Fair	19
Strasbourg	Fair	19
Sydney	Shower	20
Tangier	Shower	27
Tel Aviv	Sun	31
Tokyo	Shower	27
Toronto	Shower	28
Vancouver	Fair	22
Venice	Sun	23
Vienna	Fair	17
Warsaw	Fair	16
Washington	Fair	28
Wellington	Fair	14
Winnipeg	Sun	11
Zurich	Fair	18

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FINANCIAL TIMES
COMPANIES & MARKETS
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INSIDE

BA hopes alliance plans will lift its ailing share price

Robert Ayling (left), British Airways' chief executive, and Don Carty, head of American Airlines, will this morning reveal their plans to conquer the world. At a joint London press conference, the two are expected to announce that Cathay Pacific, the Hong Kong-based carrier, will join their planned worldwide alliance. Mr Ayling will be hoping his evident determination to create a force capable of taking on the six-airline Star Alliance will lift investor confidence in his company. BA is widely admired, and often feared, by competitors. Shareholders have been less impressed. Page 20

Alarming welcome for Fiat chairman

When Paulo Fresco, who next month becomes chairman of Fiat, made his first public appearance at the annual meeting of Italy's largest manufacturing company in June, the company was flush with record profits and revenues. Barely three months later, senior executives are sounding the alarm bells and analysts are revising downwards earlier profit estimates. Page 21

Africa considers integration

The twin forces of economic liberalisation and a decline in overseas aid have seen governments from the Sudan to Malawi open stock markets in the last decade. But analysts say many sub-Saharan markets are too small to be viable and should be merged to function on a regional basis. Page 23

Siemens orders surge after US deal

Adolf Hüttl, the president of KWU, Siemens' power plant division, has taken up golf, the favourite game of US business. His move, in the name of US-German cultural cohesion, follows the purchase of Westinghouse's electricity generation arm. However, the commercial benefits of the merger have been even quicker to manifest themselves in a surge of orders that threatens to swamp the US factories of Siemens Westinghouse Power Corporation. Page 22

Merrill offers hindsight bonds

A new type of investment bond that carries out asset allocation between European markets with the benefit of hindsight could become common as Merrill Lynch prepares to lend the weight of its name to a DM1bn ($591m) issue. Page 24

Europe's focus turns to German polls

European equities will remain under pressure this week because of mounting concern over a global economic slowdown, the election in Germany and the meeting between President Clinton of the US and Japan's prime minister Keizo Obuchi. Page 27

Swiss split over gold reserves sale

Swiss public opinion is divided over whether the central bank should sell part of its gold reserves, according to a new poll. Page 24

FT GUIDE TO THE WEEK

– full listings Page 36

FINANCIAL PROBLEMS
World financial problems will dominate discussions when European Union finance ministers gather in Vienna for a two-day "informal" meeting, starting Friday. Rudolf Edlinger, finance minister of Austria, holder of the rotating EU presidency, will update ministers on developments in Russia following a planned visit there during the week.

KOHL'S CROSSROADS
Germany votes on Sunday to decide its government for the next four years. After 16 years as chancellor, Helmut Kohl is fighting for re-election against Gerhard Schröder, the Social Democratic candidate. Opinion polls put Mr Schröder ahead, but in Bavaria's state elections this month pre-poll projections were inaccurate.

COMPANIES IN THIS ISSUE

MARKET STATISTICS

CLOUD CAST OVER OBUCHI-CLINTON MEETING AS BIPARTISAN SUPPORT FRACTURES OVER BEST WAY TO DEAL WITH AILING LTCB

Dispute hits Japan's bank reform plan

By Michiyo Nakamoto in Tokyo

Cracks yesterday started to appear in the cross-party agreement on banking reform struck in Japan at the end of last week – with the government and opposition divided about the future of the ailing Long Term Credit Bank.

The split could lead to the collapse of the reforms, which pave the way for measures to tackle the country's massive bad loan problem. Any divisions will cast a shadow over tomorrow's meeting between Japanese prime minister Keizo Obuchi and US president Bill Clinton.

Mr Obuchi was to present Mr Clinton with Friday's agreement as proof that the Japanese government was making progress in tackling the country's massive bad debt problem.

The news could also cause further falls in the stock market. "The market is going to be disappointed," said James Fiorillo, banking analyst at ING Barings in Tokyo. "On Friday night, they reached an agreement. But the devil is in the details."

The agreement between the ruling Liberal Democrats and opposition parties came on Friday after weeks of intense negotiation. However, it became clear over the weekend that the LDP and the opposition Democratic Party of Japan hold widely divergent interpretations of the deal. The LDP needs the co-operation of the opposition since it does not have a majority in the Upper House of the Diet.

Naoto Kan, leader of the Democratic Party, warned yesterday that the differences in interpretation could lead to the agreement being annulled. He also called on members of his party to prepare for a general election, indicating that the instability of the government increased the chances that parliament would have to be dissolved.

The agreement stated that the Long Term Credit Bank (LTCB) – which has become a test case for the government's policy on troubled banks – would be placed under "special public administration", or dealt with through "other measures". The opposition believes this means the LTCB will be nationalised. It insists that the agreement calls for the abolition of a Y13,000bn ($89bn) public fund to recapitalise weak banks, such as LTCB. "It has been confirmed between Prime Minister Obuchi and myself that the Y13,000bn fund would not be used to inject public funds into LTCB," said Mr Kan.

But the LDP insists that the expression, "other measures", leaves the option of using the Y13,000bn public fund to recapitalise LTCB without treating it as a collapsed bank.

"We hope to employ the [opposition-proposed] scheme to put LTCB under state control ... but we would also like to have a few more choices," said Yoshiro Mori, secretary general of the LDP, yesterday.

Union veto ousts UAL chairman's chosen successor

By Richard Waters in New York

The heir apparent at UAL, the parent of United Airlines and the biggest employee-controlled company in America, has quit after it became clear that two unions representing workers would not back him to become the company's next chairman.

News that John Edwardson had resigned emerged on Friday after the stock market closed. Shares in the company could suffer when trading resumes today. While distrusted by the unions, the UAL president and chief operating officer was highly regarded on Wall Street, where he has been credited with helping to turn UAL into the country's largest airline.

Gerald Greenwald, expected to retire as the company's chairman next year, said of Mr Edwardson: "Both the board and I have the highest regard for his potential as a CEO." His chosen successor had decided to resign after realising the heads of the International Association of Machinists and the Air Line Pilots Association would not support the appointment.

The resignation marks the second time the airline's unions have exercised a veto over the company's management. They also demanded the head of Stephen Wolf, the former chairman who was instrumental in handing control to employees in the first place.

Mr Wolf agreed to give 55 per cent of the company to its employees in return for wage concessions in 1994 – the furthest any US airline went at the time in efforts to survive an industry-wide downturn.

The management disruption at UAL is the latest sign of how labour relations have worsened in spite of the powerful rebound in airline profitability and the fact that a large slice of equity ownership is now in the hands of unions. Northwest Airlines, the fourth largest, is recovering from a strike by its pilots, who argued they were not benefiting enough from the turnaround in company fortunes.

Mr Edwardson's departure comes as UAL prepares for negotiations over union contracts that expire in 2000. Lack of union support for him was seen on Wall Street as an indication unions feared he would have tried to drive a hard bargain. Stating his reason for quitting, Mr Edwardson said: "United does not need a distracting or disruptive succession process." A former executive vice president of Ameritech, the regional telephone company, he joined UAL as president in 1994 and became chief operating officer a year later.

Gerald Greenwald, UAL chief: problems over succession Ashley Ashwood

Eureko to pull out of North America

By Christopher Brown-Humes

Eureko, a pan-European alliance linking six insurance groups, will announce today that it is pulling out of North America with the sale of its Canadian and US businesses for C$300m (US$200m)

Jeff Medlock, managing director, said the moves would enable the group to develop further its interests in Europe, including former Iron Curtain countries.

The bigger deal involves the sale of Seaboard North American Holdings to Industrial Alliance, a leading Canadian life assurer, for C$265m in cash. Seaboard has assets of C$1.5bn and last year achieved an annual income of C$275m.

Eureko is also selling Vasa North America and Seaboard Life Assurance in the US to Centris, a US stop-loss insurer, for about $85m.

Eureko, which is held together by an intricate web of cross-shareholdings, was formed in 1992. Its biggest shareholder is Achmea of Holland with 34 per cent, followed by Friends Provident in the UK with 21 per cent. Other members are Germany's Parion, Portugal's BCP, Topdanmark in Denmark and Länsförsäkringar Wasa in Sweden. The companies keep exclusive access to their home markets but collaborate internationally.

Mr Medlock said the North American market had become increasingly competitive. The company faced a choice between growing to gain critical mass or pulling out.

The group wants to expand its European presence further to exploit the cross-border opportunities offered by the single market. Its most obvious gap is France.

The group is also hoping to announce a tie-up with a seventh European partner, Swiss Mobiliare, in October. Eureko has also acquired a company in Slovakia and announced a tie-up with Bank Gdanski in Poland.

Mr Medlock said the company ultimately intended to get a stock market listing.

This month, Eureko said first half net income had risen 67.5 per cent to Fl 82.9m after growth in premium income and investments.

Rainer Gut to become non-executive chairman of Nestlé in 2000

By William Hall in Zurich

Rainer Gut, Switzerland's best-known international banker, is to become non-executive chairman of Nestlé, the world's biggest consumer food company.

The appointment in 2000 of Mr Gut, who has dominated Credit Suisse Group for more than two decades and chaired it for the past 12, surprised some observers. They had expected him to concentrate on his non-executive directorships when he retires from the banking group.

Mr Gut, who turns 66 this week, will move to chair a company that is more than twice the size of Credit Suisse and employs more than three times the staff. His non-executive directorships include Daimler-Benz, Pechiney and Union Carbide.

Nestlé announced a reshuffle on Friday along with its first-half profits, which showed a 7.4 per cent increase in net profits to SFr2bn ($1.3bn) and an improvement in net profit margins. The group's shares – the best performing stock in the Swiss Market Index of blue-chip stocks this year – rose SFr54 to SFr2,660.

The reshuffle at the top of two of Switzerland's best-known companies also settled the future of Lukas Mühlemann, 48, the ex-McKinsey consultant who has been responsible for transforming the fortunes of Credit Suisse.

There had been speculation that Mr Mühlemann, a former chief executive of Swiss Re, might leave. However, Credit Suisse named Mr Mühlemann to take over from Mr Gut as chairman. He will continue as chief executive.

Nestlé and Credit Suisse have close boardroom ties. Until May 1997, Helmut Maucher, the Nestlé chairman who retires in 2000, was vice-chairman of Credit Suisse, and Mr Gut has been a non-executive director of Nestlé since 1981 and a vice-chairman since 1991. Peter Brabeck-Letmathe, Nestlé's chief executive, sits on the Credit Suisse board.

Analysts welcomed the fact that Mr Brabeck, 53, who took over as Nestlé's chief executive in June 1997, will continue to concentrate on the role.

RICHARD WATERS
GLOBAL INVESTOR

The global margin call leaves markets in a funk

Junk bonds at a premium of more than six percentage points to US Treasuries. Argentina – its domestic money supply backed in full by US dollars – at yields more than 10 points higher. Two months ago, bargains like these would have flown off the shelves. Two months from now, they may do so again.

For now, though, large tracts of the fixed-income markets are in a deep funk. And when you stop to examine the dynamics of the modern capital markets, it is not hard to see why.

Forget the fundamentals. Whoever first described this summer's financial shock as a "global margin call" was right. In the new era of securitisation, bad news ricochets quickly around the markets – and Wall Street, which is further down the securitisation road than the rest of the world, is feeling the pain worse as a result.

The disciplines of marking to market and the daily margin call have become the dominant forces of this era. If prices fell in one market, the loss has to be taken at once: cash margin calls must be met. That triggers the liquidation of other positions, leading to a flight from risk and paralysing illiquidity that now has so many markets by the throat.

The rolling margin call was progressing in slow-motion until Russia defaulted – since then it is has been a rout.

This devastating process seems open-ended. As a risk management expert at a New York bank said: "I'm not even sure I know how we will be able to tell when it has ended."

For now, it is probably safe to conclude that it hasn't. Marking to market doesn't work when there is, in effect, no market, says Henry Kaufman, a Wall Street economist. Who knows what the real loss is on Russian debt?

In this period of deep-freeze, "the illiquid risk positions are still rock-solid hard in some unsuitable hands", says the New York risk manager.

The band of hedge funds and other investment gunslingers, answerable to no one but the inexorable law of marking to market, are caught in limbo as a result.

No wonder Wall Street is rife with talk of gunslingers like John Meriwether searching for another $1bn or so of fresh ammunition to replenish their armories. Ethan Penner, the man who generated most of Nomura's profits in the US in the 1990s through securitised real estate finance, says he is leaving (with a $30m handshake) to start afresh. Nomura, needless to say, will keep the toxic pile of commercial mortgage-backed bonds he left behind.

Perhaps there are fresh supplies of capital waiting to be ploughed through, and a new army of investors with an unsated appetite for risk ready to come to the rescue. After the bloodbath of the past two months, though, that seems unlikely.

For now, the luxury is to be subjected to an accounting regime that does not force you to take the pain – something that few on the securitised Wall Street of the 1990s enjoy. "If you can take a five-year view and don't have to mark to market, you're in a much better position," says the risk manager. For everyone else, he adds, the requirement for transparency has added to the general sense of risk aversion.

Even the favoured few, however, may be advised to wait longer before diving back into the markets. It seems a safe bet that more victims of the global margin call will emerge in the weeks ahead. Remember 1994, the nearest equivalent, when soaring long-term bond yields took months to wash through the markets, forcing Orange County into bankruptcy and helping to drive a stake through the heart of investment bank Kidder Peabody?

This is shaping up to be much worse. If things get really bad, the illiquidity and losses that have already sunk a handful of fringe hedge funds could yet take down some of the big boys – and perhaps even an investment bank or two. Now that would be a buying opportunity.

BA tries to propel its shares through the cloud layer

Michael Skapinker on Robert Ayling's intention to lift investor confidence

Robert Ayling, British Airways' chief executive, and Don Carty, head of American Airlines, will this morning unveil their plans to conquer the world.

At a joint London press conference, the two are expected to announce that Cathay Pacific, the Hong Kong-based carrier, will join their planned worldwide alliance. The alliance, which has yet to receive UK and US regulatory approval, is also expected to include Qantas of Australia, Japan Airlines and Iberia of Spain.

Mr Ayling will be hoping his evident determination to create a force capable of taking on the six-airline Star Alliance will lift investor confidence in his company. BA is widely admired, and often feared, by competitors. Shareholders have been less impressed.

BA's shares open this morning at 411p. On July 7, they stood at 703p. Over the past year, they have underperformed the FTSE 100 by 40 per cent.

Yet this is a company that attacked its cost base with vigour when the economy was strong, suffering a damaging clash with its cabin crew in the process, so that it would be able to withstand the economic downturn when it came. It has also cut expansion of its aircraft capacity, striking deals with manufacturers which will allow it to delay deliveries should the world economy deteriorate further.

The strong pound and the Asian crisis helped produce a first quarter result which disappointed the City – even though operating profits rose 23.6 per cent to £173m. There were worrying elements in the results: load factor, or aircraft occupancy, fell 2.6 percentage points to 67.2 per cent. Passenger yields – the amount customers pay for each kilometre travelled – fell 4.3 per cent because of sterling's strength and a fall in the proportion of first and business class passengers.

A further concern was that BA's first quarter figures were flattered by a fall in its fuel bill to £180m from £204m last year. Some analysts worry that BA is vulnerable to any firming of oil prices.

There are other worries, such as whether BA will be allowed to receive cash for London take-off and landing slots it has to give up in return for its alliance with American. The UK Office of Fair Trading has recommended BA and American give up 267 weekly slots, but says it should be allowed to sell them to rivals. The European Commission says such sales are illegal and BA and American should give up their slots free.

Following the first quarter results, analysts cut their full-year pre-tax profit forecasts from about £700m to between £620m and £650m, compared with £580m last year.

But this does not explain why the market has marked BA's shares down so much more than those of other companies affected by the strong pound and recession worries.

One of BA's problems is that it has become a bellwether company. When the economy looks gloomy, investors punish the airline. "BA is viewed in the market as being a measure of general economic activity," said Richard Hannah, analyst at BT Alex Brown. "The classic one used to be ICI. These days it's airlines. It's not just in the UK – in the US too."

But BA's defenders argue the market reaction is overdone. Its forward buying of fuel has protected it from an upturn in the fuel price, they say. Its large international network means it can switch aircraft from weaker routes to strong ones. For example, a Boeing 747 which was flying from London to Kuala Lumpur and then to Jakarta, has been rerouted to fly from Malaysia to Sydney instead.

BA's supporters argue its aircraft buying policy has been cautious, which will allow it to adjust to any sharp downturn in the world economy. Its recent order for up to 188 narrow-bodied Airbus Industrie aircraft received wide publicity. Less attention was paid to the unusually small proportion of firm orders – only 59. The rest are options that BA can exercise in accordance with passenger demand.

And although BA's aircraft capacity will rise by 8 per cent this year, the airline said the increase over the next two years will be far smaller. Between 1998 and 2001, capacity will grow no more than 14 per cent – slightly below the expected increase in worldwide passenger numbers.

BA also ordered 16 wide-bodied Boeing 777s, with options on a further 16. But five of the 777s replace existing orders for bigger 747s. By introducing smaller aircraft, BA hopes to improve yields. With fewer seats, it is less likely to have to sell empty ones cheaply.

Will all this persuade the market to take a kinder view? While BA has said little publicly, it has been arguing its case with institutions. The effect so far has been slight. During last week, BA's shares rose 21p from their low for the year of 390p. It is a start, but it is not quite take-off.

Robert Ayling: to announce an expanded alliance Colin Beere

US groups raid 'cheap' UK engineering sector

By Peter Marsh

A quarter of the UK's publicly listed engineering companies have been taken over or re-classified in the past two years.

More than half the £4.56bn ($7.66bn) spent taking over UK publicly quoted engineering companies has been spent by US groups, according to an analysis by the *Financial Times*. Many engineering concerns are under pressure. Consolidation is taking place across the industry, aided by the low stock market valuations of UK-based engineering companies, which have made them appear cheap to overseas groups. In the past two years, the sector has seen its combined share value fall by a third in relation to the rest of the UK stock market – with the strength of sterling reducing its competitive position.

In October 1996, there were 165 listed engineering companies. Since then, 41 have left the sector or announced they will.

Eight have been bought by US businesses, which have spent a total of £2.42bn. Of this, £1.5bn has been spent on the biggest deal in the sector – the takeover of T&N by Federal Mogul.

Four businesses have been bought by foreign groups from Canada, France, Kuwait and Finland in deals totalling £304m. UK companies have spent £1.48bn on 10 businesses.

Management buy-outs have accounted for six deals totalling £351m, while nine companies have moved into different sectors. Four companies have closed but balancing the "shrinkage" are 18 companies that have moved to an engineering classification giving a net reduction of 23 companies.

Since the beginning of this month three businesses – David Brown, Rubicon and UPF – have been acquired by US companies or subject to a management buy-out.

Business Post awaits statement by ex-director

By Robert Wright

The suspended finance director of Business Post Group, the UK private postal company, who resigned on Friday, plans to respond this week to the company's criticism of him.

Business Post last week appeared to blame Torquil Montague-Johnstone, its suspended finance director, for last Wednesday's profits warning which caused a 47 per cent fall in the value of its shares.

Business Post shares fell by 332½p to 365p when it warned that optimistic statements on trading prepared partly by Mr Montague-Johnstone – and given at the company's annual general meeting in July – had been "unrealistic".

Last week's events appear to have spurred the finance director to resign and to plan a statement for this week defending his actions.

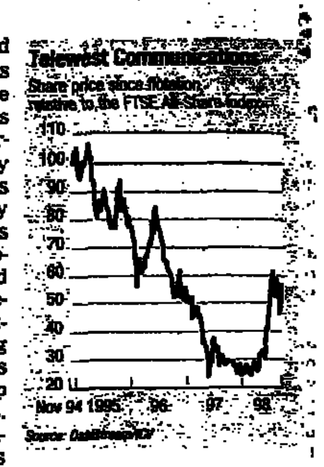
Mr Montague-Johstone's departure was originally announced on August 13, when it was said he would be leaving within six months. The departure of the finance director followed the news that Michael Jones, Business Post's managing director, was planning to leave the group. Mr Jones's departure was announced at the time of the controversial AGM trading statements.

The news that the two executives were to leave brought the return of Business Post founders Michael and Peter Kane, to executive positions. The Kanes were unhappy with Mr Montague-Johnstone because he had exercised all his share options and sold his entire stake in Business Post in early July, realising £4.1m. Mr Jones sold some shares at the same time.

Business Post last night said it was not aware Mr Montague-Johnstone was planning a statement. "Obviously, we will wait to see what he has to say," the company said.

COMMENT

TeleWest



That TeleWest has tunnelled its way into the bright lights of the FTSE 100 must leave battle-scarred investors blinking. After all, it underperformed the market by some 75 per cent from its 1994 flotation to January 1998. At 169½p, the shares are still below their 182p flotation price. Acquisitions and issuing paper has got TeleWest its Footsie slot. Admittedly, the company is getting its act together. The focus has shifted from digging up roads to wooing customers. Acquisitions should trim central costs, strengthen its negotiating hand with suppliers and extend the brand over bigger franchises. Investor confidence has also improved after more than a year of cashflow positive results. AT&T's recent takeover of TCI of the US is a reminder that those sunken cables are highly valued by telecom companies because they provide direct access to homes.

Cable should be in pole position to become the mass-market choice for customers in the digital age. Its broadband technology is ideal for pumping internet services and interactive television into homes. But the best technology does not always win the commercial day. More consolidation is probably needed before cable can square up to mighty British Telecommunications. Meanwhile, penetration rates for TeleWest's cable TV service still look unimpressive, while the proportion of subscribers disconnecting is still too high. Cable has not cast off its potential to disappoint.

Water stocks

Utilities are safe havens in times of market turmoil. But one of these backwaters could prove treacherous in the next few months. Water shares have outperformed the market by more than 25 per cent since May. At current prices, however, investors are possibly taking too sanguine a view of regulatory risk. In just over a month the regulator will set out a range of one-off price cuts for companies. The result could be ugly, especially if the government indicates a target for future capital expenditure towards the lower end of the £6bn-£15bn range. Lower capex strengthens the case for tougher price cuts. Current share prices assume a benign outcome and investors could be in for a shock if price cuts are much above the average 8-10 per cent many expect.

Astra satellite owner lifts revenues 13%

By Cathy Newman

Société Européenne des Satellites, owner of the Astra satellites, reported a 13 per cent increase in revenues to LFr10bn ($280m) for the six months to the end of June.

The company, which floated one sixth of its equity on the Luxembourg stock market earlier this year, said net income rose eight per cent to LFr3.6bn.

Romain Bausch, director general of SES, said the revenue growth reflected the introduction of its Astra 1G satellite. However, he added that costs had increased partly because of marketing expenditure on new digital broadcasting services.

Ronson shares set to resume trading today

By David Blackwell

Shares in Ronson, the cigarette lighter distributor headed by the 71-year-old US entrepreneur, Victor Kiam, are set to resume trading on the London Stock Exchange today.

The move follows the approval on Friday of the placing and open offer of 850.3m ordinary shares at 1p by an extraordinary meeting of shareholders. The shares last traded in June, when they were suspended at 4½p after the group failed to announce results for 1997.

Albion Consortium Fund – the offshore fund in which Jack Lyons, the financier, has an interest – will be the biggest shareholder with just over 21 per cent of the ordinary shares and 100m convertible shares. Mr Kiam has invested £1m of his own money in 100m shares, and holds warrants for another large tranche.

The group, advised by Charles Stanley, has raised more than £8m through the rescue refinancing package that was agreed last month after many delays and announced alongside the results. These showed that pre-tax losses deepened from £3.17m to £11.5m last year on turnover down 17 per cent to £26.3m.

The audited accounts were qualified because of inadequate information for the first half. The group also reported pre-tax losses for the six months to July 4 reduced from £5.27m to £3.35m on turnover of £10.4m (£13.4m).

The proceeds from the refinancing package will be used to reduce the debt of £5.3m incurred after the two years of losses.

The restoration of the listing today marks the end of a remarkable year for Ronson, including an out-of-court settlement with its former chief executive, Howard Hodgson, the 1980s stock-market star ousted in June 1997.

Mr Kiam, who is famous for liking the Remington electric shaver so much that he bought the company, entered the picture earlier this year as Mr Hodgson, who had built an empire from a family funeral parlour, started work as chief executive of the rival cigarette lighter group, Colibri Corporation.

Mr Kiam said in March that there were many similarities between Ronson and Remington, which was making losses when he led a highly leveraged management buy-out in 1979. Where Remington was fighting for market share with other shaver manufacturers as well as razor blades, Ronson is facing other lighter companies, particularly the disposables.

"I would like to build it to a company that gets the same respect as other companies that I am associated with," he said.

● Dealings in the shares of Glasgow Celtic Football Club will today move to the main market from Aim. The move is likely to help the club benefit from the recent rise in football stocks following the £623m bid by British Sky Broadcasting for Manchester United.

Celtic won the Scottish League's premier division last season for the first time since 1988, ending a run of nine victories by local rivals, Rangers. However, the start of this season has seen Celtic facing some poor results and a revolt by players over bonus payments.

Celtic shares, issued at £64 in September 1995, closed at £295 on Friday, making the club one of the junior market's best performers. The shares will be subdivided by 100, making the likely opening price today 295p, with a total market capitalisation £85.6m. Celtic's chairman, Fergus McCann, who owns 50.3 per cent of the shares, has announced he intends to leave before the end of the season and to sell his shares.

Fiat chairman faces frenetic welcome

Paolo Fresco must take the heat out of global strategy during crisis, writes **Paul Betts**

Market movers

Paolo Fresco will not be shuffling to the carefree rhythm of a samba when he walks into his new office at Fiat.

The former number two at General Electric, the US conglomerate, is due to start working full-time next month as the chairman of Italy's largest manufacturing company. Hot on his desk will be the Brazilian crisis, which could severely dent company profits next year.

Everything seemed rosy at the beginning of the summer. When Mr Fresco made his first public appearance at Fiat's annual meeting in June the company, streamlined around its core automotive businesses and successfully engaged in a significant globalisation strategy, was flush with record profits and revenues.

Barely three months later, senior executives are sounding the first alarm bells and analysts are busily revising downwards earlier profit estimates.

Fiat had already said in June that profit margins in its core car business had tumbled in the first quarter, from 1.2 per cent to a mere 0.1 per cent. This was largely because of what was then seen as a seasonal slide in the Brazilian car market, where Fiat sold 509,000 vehicles last year – 18.5 per cent of its total 1997 sales of 2.74m vehicles.

The situation in Brazil has continued to worsen. Since the beginning of the year, new car sales in Brazil have fallen 25 per cent. In July, Fiat reduced its daily Brazilian output from 2200 to 2100 units a day.

In Madrid for a car launch last week, Paolo Cantarella, Fiat chief executive, warned of difficult times ahead. Roberto Testore, head of the company's car division, suggested that first-half results – due tomorrow – would also reflect the Latin American slump.

Fiat, says Nick Snee, motor industry analyst at J.P. Morgan Securities, is paying the short-term price of its globalisation. "Fiat has long had one of the most convincing internationalisation strategies of any car producer," he says. "Unfortunately, while Fiat's globalisation programme should be seen as a virtue in the long run, it does leave the group more exposed to short-term problems in the emerging regions than companies which have been less successful in diversifying internationally, such as the French volume producers."

Both Mr Cantarella and Mr Testore have in recent weeks continued to emphasise the company's long-term commitment to the internationalisation strategy it has crafted during the last decade. Fiat will proceed with its $800m joint venture to build up to 150,000 cars a year in Russia. It remains committed to Brazil and Argentina, as well as Poland, Turkey, India and China.

The challenge for Mr Fresco will not so much be, as many had assumed a few months ago, to internationalise even further, but to implement the global strategy devised by his predecessors at a time when emerging markets are in crisis.

To make matters worse, Fiat is coming under pressure on other fronts. Its New Holland farm machinery subsidiary, one of the company's most profitable divisions, which reported net earnings of L818bn ($490m) last year, is having to contend with recession in the agricultural sector that is expected to lead to more intense price competition among equipment suppliers.

Another problem is the decline in Italian car sales following the end of government incentives.

Mr Testore said that, without new incentives, new car sales in Italy next year would fall to about 1.8m, from 2.4m in 1997. Sales this year were expected to be around 2.2m.

Next month Fiat will lay-off temporarily 6,000 workers in Italy to adjust production to the lower demand.

There are some bright spots. Giancarlo Boschetto, managing director of Iveco, said this month that Fiat's commercial vehicles subsidiary would show sharply higher first-half profits.

Fiat also saw its overall European car sales grow 2.7 per cent in the first eight months of this year, giving it a market share of 11.4 per cent – second only to Germany's Volkswagen.

Paolo Fresco: faces challenge of implementing global strategy

However, the simultaneous weakening in both Italy and Brazil – the company's two biggest markets – will add to the pressure on margins. J.P. Morgan expects a deterioration in second-half earnings significantly worse than market assumptions, with more disappointment next year.

At its annual meeting in June, Fiat said it expected 1998 pre-tax profits to be in line with last year's L4,182bn but analysts no longer expect it can achieve flat profits this year. J.P. Morgan, by the far the most bearish, expects earnings per share to fall to L352 in 1998 from L444 last year, dropping to L318 next year.

After a 37-year career at GE, Mr Fresco is not walking into a cosy retirement.

BDO Stoy Hayward equity partners' earnings soar

By Jim Kelly, Accountancy Correspondent

BDO Stoy Hayward, the UK's seventh largest accountancy firm, will today announce a 28.8 per cent rise in the average earnings of its equity partners to £130,000, after a 14.7 per cent increase in fee income to £122m.

The firm said its success was due to a strategy different from that of the global Big Five firms which dominate the professional services sector and are restructuring to serve global clients.

BDO Stoy Hayward is one of a handful of UK partnerships publishing "plc-style" annual results – and the only one giving as much detail in the so-called middle tier of large firms below the Big Five.

Adrian Martin, managing partner, said the firm was concentrating on entrepreneurial and growing businesses. Fees from tax advice had jumped 31 per cent to £33m and corporate finance 32 per cent to £11m.

The partner earnings figure is the key industry indicator closely watched in the sector and it amounts to £23m – with about another £5m ploughed back into the business for investment.

Current projects include a national advertising campaign and new £6m IT framework. At March 31 the average level of investment in the firm by an equity partner was up 6 per cent to £141,000. The firm had taken the decision to retreat from "project-led" management consultancy – the main growth areas being developed by the Big Five firms – and instead give clients support and advice within a long-term relationship.

Two MBOs had helped the firm concentrate on its core activities with its hotel consultants and public sector specialists spinning off – as well as the separation of its personal finance business from the main firm.

Mr Martin said that the Big Five were leaving behind the entrepreneurial sector as their management structures became orientated to larger international clients.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
ING (N'lands)	BHF-Bank (Germany)	Banking	$1.33bn	Stake to 39%
Bayer (Germany)	Unit of Chiron (US)	Medcl diagnstcs	$1.1bn	Bayer reshuffling
Coca-Cola (US)	Orangina (France)	Soft drinks	$883m	French block
General Motors (US)	Suzuki Motors (Japan)	Auto manufcture	$315m	Stake gives boost
GEC (UK)	Unit of Elscint (Israel)	Medical equpmnt	$275m	Tomograph trophy
Havas (France)	Anaya (Spain)	Publishing	$244m	Founder exits
ADC Telecoms (US)	Teledata Comms (Israel)	Telecoms	$200m	Global move
Kwik-Fit (UK)	Speedy Europe (Int'l)	Auto repairs	$176m	Canadian disposal
Elan Corp (Ireland)	NanoSystems (US)	Pharmaceuticals	$150m	Delivery deal
Cushman & Wakefield (US)	Healey & Baker (UK)	Property srvcs	$118m	More consolidation

CANADIAN TELECOMS NON-COMPETITION AGREEMENT ABANDONED

Stentor groups agree loosening of alliance

By Scott Morrison in Toronto

The alliance formed by Canada's regional phone companies to face long-distance competition has been virtually dismantled after members agreed they needed more flexibility to adapt to the rapidly changing C$14bn (US$9.16bn) national telecommunications market.

The Stentor alliance said its 11 members would individually assume responsibility for a wide range of functions currently performed by the alliance's staff on a collective basis. It is thought that the restructuring, which will do away with the understanding that members do not compete against each other in their regional markets, will further increase competition in the Canadian market and enable the companies to meet specific customer needs better.

As of January 1999, the 11 former monopolies, which include Bell Canada, BC Tel and Telus, are to be responsible for product and service development, technology development, management of regulatory issues and national sales support.

About 1,000 Stentor employees will be transferred to member companies, while another 800 workers are to continue to operate and manage Canada's national network, comprised of regional networks owned by Stentor members.

The decision to decentralise the alliance's functions effectively reduces Stentor to a vehicle through the agreement of the group's exchange of traffic can be implemented. The companies will become be free to expand beyond their regional boundaries. A decision on the future of the alliance's policy, advisory and government relations arm will be made in November.

Colin Latham, chairman of the Stentor alliance of chief executives, said the restructuring would enable the group's members to better meet customers' needs. "It's time to move on. We had to change," he said.

Previous alliances among the companies evolved into the Stentor format in 1992 to help them manage the transition from a monopolist to a competitive market. Stentor acted as a marketing, lobbying and co-ordinating body for its members, but detractors said the alliance had become too cumbersome to allow members to respond quickly to Canada's increasingly dynamic marketplace.

Alternate long-distance providers, such as Sprint Canada and AT&T Canada, have been gaining market share by repeatedly lowering rates and providing better services through seamless national networks. And a number of other providers are scheduled to begin offering local service in selected markets in early 1999.

Bell Canada, Telus and BC Tel, the three largest Stentor members, are seen as the most likely to thrive once they are free from the restrictive Stentor structure, which was governed by consensus. The smaller companies will continue to serve their local markets and possibly seek out niche markets on a national scale.

"Every Stentor company will be much more focused, responsive and agile," said Winfried Freuhauf, a telecoms analyst at a Toronto brokerage.

Stentor's fate was sealed earlier this year when Telus, the Alberta phone company, engaged in talks to form a business combination with AT&T Canada. Discussions broke down, but they served notice that Telus, among others, was no longer satisfied to operate within the confines of the alliance.

At least one Stentor member, however, acknowledged that it was likely that the new arrangement was a "band-aid" to hold together the alliance temporarily. Changes in the market and the likelihood of future mergers and acquisitions meant the group's members would increasingly view each other in a competitive light rather than as partners in a co-operative alliance.

Change calls: more flexibility needed in C$14bn market

Manila fights to save PAL from closure

The Philippine government said yesterday that it was making every effort to save Philippine Airlines, which has announced it will shut up shop next week, reports Reuters in Manila.

"With two days to go before Philippine Airlines closes down, President Joseph Estrada is still trying to get the airline's management and labour to agree to a settlement that can keep the airline in the air," said a spokesman for the presidential palace.

"The president is exhausting all efforts to arrive at a middle ground," he added.

Asia's oldest national airline has said that it will cease operations after 57 years at midnight on Wednesday, pointing to enormous losses and protracted disputes with its pilots, flight attendants and ground crew unions.

PAL took the decision after its ground crew union reversed its earlier acceptance of the management's offer for employees to own a 20 per cent stake in the airline in exchange for suspending labour bargainings for 10 years.

The union proposed a five-year suspension.

PAL's creditors and potential investors have set industrial peace as a condition for rehabilitating the airline.

A three-week pilots' strike in June dealt PAL a heavy financial blow, forcing the airline to seek a moratorium on its $2bn debt.

President Estrada has said he will meet management and the unions today to try to work out a compromise. However, there is no indication that such a meeting has been scheduled.

Siemens orders surge after US deal

Direct benefits of the merger will start to flow next year, writes **Christopher Parkes**

Adolf Hüttl is learning to play golf. Quick to recognise the need for US-German cultural cohesion following the August 1 completion of the purchase of Westinghouse's electricity generation arm, the president of KWU, Siemens' power plant division, has taken up the favourite game of US business.

However, the commercial benefits of the merger have been even quicker to manifest themselves in a surge of orders that threatens to swamp the US factories of Siemens Westinghouse Power Corporation.

Although the Asian crisis has obliged the Siemens group to reduce next year's sales expectations in the region by up to 30 per cent, this has been more than offset by rapid growth in the US and Latin America, says Randy Zwirn, president of the new company.

Chinese demand was still stable, Mr Hüttl said, and pointed out that despite the economic disruption, no orders from elsewhere in Asia had yet been cancelled.

As a result, SWPC's gas turbine production schedules are almost full for the next two years or more, and with many US buyers pressing for installation in time for the summer peaks of 1999 and 2000, customers outside the US may find they have to wait longer than usual for deliveries, he said during a meeting of the World Energy Congress in Houston.

In the past four months, the new company, which represents the group's fossil power interests in the Americas, has contracted to build 41 gas turbines, worth more than $1bn, and it expects aggregate growth in new US orders to continue well above recent levels for at least the next two years. "Our manufacturing capacity is full until well into 2001," Mr Zwirn said.

Although growth elsewhere will not be as vigorous as in the US, worldwide demand for all types of power plant are expected to continue to grow for the next decade, with rises of about 20 per cent a year in generating capacity up to the end of 2002.

The main reasons for the rise in orders relate to weaknesses in the increasingly deregulated US power market, which this summer saw spot prices rise as high as $7,000 per megawatt hour as the robust economy stretched existing generating capacity. The US summer peak load was 5 per cent higher than last year.

"We saw a number of companies that had entered the energy trading business stumble badly . . . and there was a renewed focus on the physical assets that are necessary to back-stop these transactions," Mr Hüttl said.

Although growth elsewhere will not be as vigorous as in the US, he forecast that worldwide demand for all types of power plant would continue to increase for the next decade, with rises of about 20 per cent a year in terms of generating capacity through to the end of 2002.

The more direct benefits of the merger completed on August 1, such as the cost savings expected from restructuring and workforce reduction, will probably start to flow next year, according to Mr Hüttl.

Although he described the companies as "a perfect match" with few overlaps in production – Westinghouse is strongest in markets with a grid frequency of 60 Hertz and Siemens specialises in 50Hz equipment – he promised "very significant cost improvement".

"The earliest effects can be expected in our purchasing sector, followed by the reorganisation of our global manufacturing and supply management network," he said. And all changes would be based on the basis of "best practices", regardless of whether they originated in the US or Germany.

Set on avoiding the cultural conflicts comparable to those which dogged conservative Siemens' fumbled takeover of the entrepreneurial Nixdorf software business into its information technology hardware business, Mr Hüttl said he had established a "ground rule" that SWPC would be an American company.

"This is one of our big issues," he said, and external consultants would be hired to offer expert advice. "To some extent it depends on people, and we would like to minimise our mistakes."

Mr Zwirn appeared to harbour few concerns. "Very early on they made it very clear we'd be treated like a merger rather than an acquisition. We don't believe we've been taken over, we feel we have been saved," he said.

Even so, he added, he would have felt even more comfortable had the merger between Daimler-Benz and Chrysler been completed a year ago: "Then we could learn from their mistakes."

Oki extends holidays to cut costs

By Alexandra Harney in Tokyo

Oki Electric said it would send workers at two semiconductor plants home for extended holidays in an attempt to bring its loss-making chip unit back into the black.

Oki, which accounts for less than 1 per cent of the memory market, said it plans to send employees at its Miyazaki and Miyagi plants home for 10 days this year with a 10 per cent salary cut.

The two plants, which are located in northern and southern Japan, employ about 2,800 workers and manufacture 1-megabyte, 4-megabyte, 16-megabyte and 64-megabyte dynamic access random memory (D-Ram) chips.

The company has already completed its first round of temporary work stoppages. Earlier this month, 600 employees at the Miyazaki plant were sent home for three days. The group declined to say how much it expected to reduce expenses as a result of the move.

Oki, which has one other chip factory in Thailand, said it was considering further cutbacks in its semiconductor business. Last year, the group fell into the red with Y8.1bn ($61m) in net losses on sales of Y764.6bn, up 4.4 per cent against the year before. The group hopes to return to profitability in the year ending in March.

COMPANIES & FINANCE

POLYGRAM BID EC DECISION ON $10.4BN OFFER EXPECTED TODAY

Seagram waits for go-ahead

By Alice Rawsthorn

Seagram, the Canadian entertainment group, hopes today to secure clearance from the European Commission for its $10.4bn bid for PolyGram, the Dutch music company.

If the bid, the largest in music industry history, is approved by Brussels, Seagram will then make its final filings with the US Securities & Exchange Commission. It aims to complete the deal by early November.

Seagram, which plans to cut annual costs by up to $300m by merging PolyGram's music interests with its Universal Music subsidiary, has already cleared the deal with US regulators, and does not expect any problems in Europe.

However, if the European Commission decides to mount a full-scale investigation, Seagram would face a potentially damaging delay. It cannot start to merge PolyGram and Universal until after completion, but is already planning the merger process advised by Boston Consulting Group (BCG).

Seagram formed 30 teams of PolyGram and Universal executives (drawn from the same disciplines or regions) to discuss the restructuring. They are now making their recommendations.

Alain Lévy: originally given $40m of discretionary funds

Seagram is anxious to complete the acquisition on schedule by early November to prevent any further deterioration in the performance of PolyGram, where staff have been destabilised by the forthcoming merger.

PolyGram executives have also been disgruntled by the allocation of a $40m discretionary fund originally given by Seagram to Alain Lévy, PolyGram's former president.

The fund has been allocated by Jan Cook, finance director and acting chief executive. There have been complaints that only $5m-$6m was given to US personnel, and a relatively small proportion went to record executives in Europe.

Another row erupted last week when Hits, a US music magazine, reported that BCG was to receive an $80m consulting fee. A senior executive described the report as "not inaccurate". Seagram declined to comment.

Rival groups have been trying to exploit PolyGram's instability by courting its executives. Paul Dickson, head of PolyGram Australia, resigned last week to become chief executive of News Corporation's Mushroom Records. Bertelsmann Music Group has hired four of PolyGram's European executives.

CLT-Ufa improves

By Frederick Stüdemann in Berlin

CLT-Ufa, Europe's biggest broadcasting group, expects to reach break-even in 1998 after a first half in which net operating profits more than doubled to $86m on sales up 7.4 per cent to $1.6bn.

The Luxembourg-based company, which is owned by Audiofina of France and the German media groups Bertelsmann and WAZ, said the improvement was driven by business in Germany and the Netherlands, where its radio and television stations increased market share, and the disposal of non-performing subsidiaries.

In Germany CLT-Ufa owns RTL, the biggest commercial TV channel, and has stakes in four other channels.

A turnround at other loss-making businesses, such as the RTL2 television channel in Germany and a similarly named radio station in France which reached break-even, also contributed to the improvement in the group's performance in the first half.

GFSA sale talks fail

By Victor Mallet in Johannesburg

Gold Fields of South Africa, the mining house to be dissolved following the unbundling of its assets to shareholders, has said negotiations on the sale of its Northam Platinum mine to Anglo American Platinum Corporation had ended without a deal being concluded. Company sources said the two sides could not agree on a price.

GFSA, which together with its subsidiaries New Wits and Vogelstruisbult Metal Holdings has an 82.8 per cent stake in Northam, said the mine would continue to operate as before for the time being.

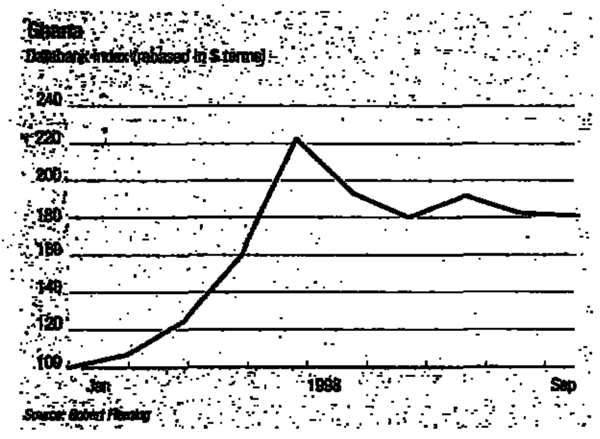
"No other offers for the platinum operation are currently being considered," GFSA said.

On Wednesday, GFSA shareholders approved the unbundling of the group's main holdings in Gold Fields Ltd and Standard Bank Investment Corp. Those stakes are worth more than R7bn ($1.1bn).

EMERGING MARKETS MEETING AIMS TO RESOLVE CULTURAL AND ECONOMIC DIFFERENCES

Africa considers integration

By Joel Kibazo



International investors will be watching to see if the African Stock Exchanges Association meeting, which begins today in the Zambian capital of Lusaka, lives up to its theme of "integration and growth of African capital markets".

The twin forces of economic liberalisation and a decline in overseas aid have seen governments from the Sudan to Malawi open stock markets in the last decade.

While the trend for a more commercial environment has been welcomed by both donors and international investors, analysts say many sub-Saharan markets (excluding South Africa) are too small to be viable and should be merged to function on a regional basis.

However a combination of national pride, competition for limited funds, different financial reporting systems and tax structures, and a lack of agreement on issues such as custody and settlement has so far prevented a move toward integration.

Michael Power, at Baring Asset Management, says: "Although it is important to have a living, breathing stock exchange, the arguments for regional markets are very clear. I would rather focus on a regional exchange where I can get cross-comparisons within sectors and across companies which we can't do now because of how small these markets are. They are limited in terms of stocks, and thus liquidity."

Many point to east Africa as an example of difficulties encountered by international investors.

Although Kenya, Tanzania and Uganda signed the East African Co-operation treaty, agreeing to harmonise their economies and eliminate barriers to trade, their respective equity markets have moved in different directions.

Specialists on the region believe Kenya's Nairobi Stock Exchange, which started trading in 1954 and relaxed foreign investment rules in 1994, should have remained the market for all listed companies from the three countries.

Instead, Uganda opened a stock market late last year, but the slow privatisation programme has ensured that not a single company has yet been listed.

Investor sentiment was recently dented by a vote in Parliament to put the brakes on privatisation.

Tanzania followed suit in April. While the move marked another step in the country's shift away from its socialist past, international investors remain disappointed and frustrated at its refusal to embrace foreign investment.

Analysts point out that the placing of Tanzania Oxygen, the first listing on the bourse, was undersubscribed and left 13 per cent of the stock with underwriters.

"In a country that is still poor, it is unlikely that the locals can absorb much stock," said one analyst.

However, Japheth Katto, chief executive of Uganda's Capital Markets Authority said: "We realise we have to do something and we have already started serious discussions. The ministers have asked to see a timetable to deal with the issue of integration. We are likely to start with cross-listing before we move further."

Elizabeth Morissey of Kleiman International, the Washington-based emerging markets consultancy, said: "Integration is going to be an issue that keeps coming up, but I can't see a resolution in the short term. These are countries that have not even started addressing issues such as different tax regimes, custody, access for foreigners, so I think integration is some way off."

The new west African regional bourse, which opened last week in Abidjan, may serve as a model for other regions in Africa.

With a market capitalisation around the $1.5bn mark, the Bourse Régionale des Valeurs Mobilières will serve Benin, Burkina Faso, Ivory Coast, Mali, Niger, Senegal and Togo, which together with Guinea-Bissau form the West African Economic and Monetary Union.

In the initial stages, the BRVM will operate under a provisional electronic trading system, with national exchange offices in member countries faxing in their orders.

Eventually, all national offices will be linked to the automated bourse via a satellite transmission system.

Alexander Holcroft at Flemings said: "This kind of arrangement broadens the market and allows for critical mass. Another benefit of this will be, going forward, the uniform trading, custody and settlement across the region."

With the exception of Zimbabwe, where the industrials index has declined by 78.2 per cent in dollar terms this year, mainly for domestic reasons, the region as a whole has remained attractive to investors in spite of the downturn in emerging markets.

While the IFC emerging markets index has fallen by around 37 per cent in dollar terms over the last year, markets such as Ghana have moved strongly ahead.

That bourse has risen by 80 per cent in dollar terms in the last year, while Botswana and Nigeria have also outperformed the IFCI.

Jonathan Garner, director of emerging markets strategy at Flemings said: "These markets are becoming more and more relevant because they are able to make positive dollar returns. The Middle East and Africa now accounts for around 12 per cent of emerging markets capitalisation, a ratio which has doubled in the last year."

NEWS DIGEST

CEMEMT

Cemex revives bid for stake in Semen Gresik

Cemex, the Mexican cement company, has renewed its bid for a stake in Indonesia's largest cement factory even though it can now buy only a minority stake.

Cemex bid $114.6m, or $1.38 a share, for a 14 per cent stake in Semen Gresik, a partially privatised cement company. The government rejected an earlier bid by Cemex, also at $1.38 a share, for 35 per cent after it bowed to public protests at two plants. As the government only holds 65 per cent, Cemex would have been able to buy 16 per cent on the market and obtain majority control if the sale had gone ahead as planned. Cemex said it now aimed to buy at least 6 per cent on the market, giving it 20 per cent. Cemex still faces possible counterbids next week, however, from Holderbank, Heidelberger and Lafarge.

Shares in Semen Gresik jumped from Rp7,150 to Rp7,425 yesterday in expectation of Cemex purchases on the exchange. **Sander Thoenes, Jakarta**

ELECTRONIC TRADING

CME launches new system

The Chicago Mercantile Exchange is to begin trading tomorrow on Globex 2, its new electronic trading system, at the start of a link-up with Matif, the French derivatives exchange.

The CME and Matif alliance follows an exchange of trading technologies, which allows members of each market to trade the other's products on a single system. Globex 2 is based on technology originally developed by Matif. Daily trading on the new system will begin after business ends on the CME's open outcry trading floor, and the exchange says Globex 2 will allow for almost 24-hour trading.

The Chicago Board of Trade, the CME's main US rival, also unveiled new technology yesterday with the launch of MarketPower, an interactive trading system for US treasury bonds. The CBOT said the new system would enable investors to cut costs by providing investors with instant access to prices and trading volumes in the US government bond market, the most liquid market of its type in the world. **Vincent Boland**

INVESTMENT BANKING

SSB recruits from rivals

Salomon Smith Barney, the US investment bank, has hired five people from rival securities houses in an effort to strengthen its corporate advisory and debt origination businesses for the UK and Ireland.

In the mergers and acquisitions sector, Matthew Ponsonby joins from Deutsche Bank as a director of the UK and Ireland coverage group headed by Anthony Nelson. Philip Keevil's European M&A team is adding Steven Fobel, formerly of ING Barings, as a director, and Anthony Parsons and David Smith, both from Deutsche, as vice presidents. Pippa Mason is leaving Warburg Dillon Read to join Salomon's debt capital markets team as a vice president responsible for origination in the UK and Ireland. **Clay Harris**

TELECOMMUNICATIONS

Mannesmann lifts OliMan stake

Mannesmann, the German conglomerate, has completed the second stage of its deal with Olivetti, the Italian telecommunications and office equipment group, by paying L641bn ($383m) for a further stake in OliMan, their telecoms joint venture. Olivetti said on Friday that Mannesmann had bought a 12.5 per cent interest in OliMan, lifting its total holding to 37.5 per cent.

Mannesmann confirmed the planned acquisition last month, saying it hoped to increase its stake by a further 12.4 per cent by the end of February 1999, paying an additional L655bn and taking its holding to 49.9 per cent. **Reuters, Milan**

RETAIL

Mitsukoshi warns

Mitsukoshi, Japan's second largest department store operator, has warned that its performance in the first half of this year would be much worse than expected. The group, which has been hit by the collapse in consumer demand in Japan, cut its earlier earnings forecasts in half, from Y1bn to Y450m ($3.4m). This compares with losses of Y33.8bn in the same period the previous year. Sales would be Y342.8bn, down 7 per cent from the year before, the group said.

The warning was in line with market expectations. On Friday, shares in the group were up 0.65 per cent or Y2 to Y312. **Alexandra Harney, Tokyo**

SOFTWARE

Hungarian group opens IT park

Graphisoft, Hungary's largest home-grown software company, has officially opened the first stage of a $30m, 7 hectare Information Technology park in Budapest.

Gabor Bojar, Graphisoft chief executive, said the park, which already boasts Microsoft Hungary as one of its first tenants, will give start-up IT companies preferential rents to encourage Hungarian computer specialists to develop in their homeland rather than take their talents abroad. The company itself employs 150 people at its headquarters in the park. **Kester Eddy, Budapest**

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

Provisional Prices for trading on 20.09.98 — Final Prices for Trading on 23.08.98

½ hour period ending	Pool purchase price £/MWh	Pool purchase price £/MWh	Pool selling price £/MWh	TS use of system price £/MWh
0030	11.52	11.58	11.71	1.14
0100	10.90	11.58	11.71	1.14
0130	11.08	4.75	4.89	1.14
0200	11.08	4.75	4.89	1.14
0230	11.08	4.75	4.89	1.14
0300	11.08	4.75	4.89	1.14
0330	11.08	4.75	4.89	1.14
0400	11.08	4.75	4.89	1.14
0430	11.08	4.75	4.89	1.14
0500	9.38	4.75	4.89	1.14
0530	9.36	4.94	5.08	1.14
0600	9.38	4.94	5.08	1.14
0630	9.37	4.94	5.08	1.14
0700	11.27	4.94	5.08	1.14
0730	9.37	7.00	7.14	1.14
0800	9.39	9.38	9.38	0.00
0830	11.27	11.99	12.13	1.14
0900	11.76	13.81	13.94	1.14
0930	14.84	13.81	13.94	1.14
1000	14.38	13.81	13.94	1.14
1030	18.02	16.61	16.75	1.14
1100	23.02	16.27	16.40	1.14
1130	54.74	17.14	17.27	1.14
1200	54.74	20.58	20.71	1.14
1230	54.74	40.67	40.80	1.14
1300	23.00	40.67	40.80	1.14
1330	18.40	40.67	40.80	1.14
1400	17.39	34.99	35.13	1.14
1430	17.39	16.61	16.75	1.14
1500	15.31	16.35	16.48	1.14
1530	18.40	16.35	16.48	1.14
1600	18.40	20.58	20.71	1.14
1630	15.31	20.58	20.71	1.14
1700	15.31	20.58	20.71	1.14
1730	14.84	20.58	20.71	1.14
1800	14.84	20.58	20.71	1.14
1830	14.84	20.58	20.71	1.14
1900	14.38	20.58	20.71	1.14
1930	14.78	20.58	20.71	1.14
2000	54.74	16.35	16.48	1.14
2030	86.79	13.78	13.92	1.14
2100	54.74	18.99	19.12	1.14
2130	21.39	19.15	19.28	1.14
2200	21.30	20.58	20.71	1.14
2230	17.31	19.15	19.28	1.14
2300	17.31	19.15	19.28	1.14
2330	14.38	18.99	19.12	1.14
2400	10.62	15.19	15.33	1.14

Prices are determined for every half hour in each twenty-four hour period. Prices are in pounds per megawatt-hour rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.86/MWh becomes 1.686p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreement which governs the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-two days after the day of trading. Accordingly due to the possibility of their revision and/or correction no reliance should be placed upon [illegible] of the electricity transmission system for the purpose of optimising the costs arising from the operation of that system. Charges are calculated by NGC and are based on payments made by NGC into the pool. TSP is also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool and on TSP on behalf of NGC by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0115 945 6789 between 8.30am and 5.15pm Monday to Friday.
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Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

Provisional Price for Trading on 21.09.98 — Final Prices for Trading on 24.08.98

½ hour period ending	Pool purchase price £/MWh	Pool purchase price £/MWh	Pool selling price £/MWh	TS use of system price £/MWh
0030	9.39	11.68	11.90	1.05
0100	9.39	11.68	11.90	1.05
0130	9.39	11.68	11.90	1.05
0200	11.76	11.68	11.90	1.05
0230	11.76	11.68	11.90	1.05
0300	11.76	11.68	11.90	1.05
0330	11.76	11.68	11.90	1.05
0400	9.39	11.68	11.90	1.05
0430	9.37	11.68	11.90	1.05
0500	9.37	11.68	11.90	1.05
0530	11.97	7.00	7.00	0.00
0600	9.41	7.00	7.00	0.00
0630	13.14	9.32	9.32	0.00
0700	16.01	12.55	12.77	1.05
0730	15.81	13.37	13.58	1.05
0800	16.77	13.60	13.83	1.05
0830	29.98	17.72	17.95	1.05
0900	32.71	29.16	29.42	1.05
0930	17.67	45.59	45.90	1.05
1000	27.40	45.74	46.08	1.05
1030	23.56	29.06	30.07	1.05
1100	23.61	29.85	30.32	1.05
1130	23.65	32.56	33.08	1.05
1200	28.09	39.08	39.63	1.05
1230	28.03	38.89	39.39	1.05
1300	29.55	38.57	38.98	1.05
1330	23.45	31.82	32.14	1.05
1400	16.82	17.90	18.19	1.05
1430	22.38	17.83	18.10	1.05
1500	27.37	17.79	18.04	1.05
1530	27.37	17.78	18.03	1.05
1600	22.40	17.82	18.08	1.05
1630	17.12	47.14	47.43	1.05
1700	27.87	47.18	47.48	1.05
1730	27.83	47.12	47.40	1.05
1800	16.81	17.78	18.00	1.05
1830	10.18	14.42	14.65	1.05
1900	10.16	14.41	14.64	1.05
1930	27.82	14.41	14.63	1.05
2000	27.86	16.42	16.65	1.05
2030	27.87	16.43	16.65	1.05
2100	27.19	17.60	17.83	1.05
2130	27.19	25.52	25.74	1.05
2200	27.13	17.60	17.82	1.05
2230	27.13	17.60	17.82	1.05
2300	16.01	17.15	17.37	1.05
2330	10.01	13.60	13.82	1.05
2400	15.23	13.60	13.82	1.05

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.86/MWh becomes 1.686p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreement which governs the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-two days after the day of trading. Accordingly due to the possibility of their revision and/or correction no reliance should be placed upon [illegible] of the electricity transmission system for the purpose of optimising the costs arising from the operation of that system. Charges are calculated by NGC and are based on payments made by NGC into the pool. TSP is also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool and on TSP on behalf of NGC by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0115 945 6789 between 8.30am and 5.15pm Monday to Friday.
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BHP cites Asian crisis as profits slip

By Russell Baker in Sydney

BHP admitted that the Asian economic crisis was continuing to affect the Australian resources group's profitability as it reported a 1.7 per cent drop in net profit to A$351m (US$207m) for the three months to August.

Ron McNeilly, chief operating officer, said given market conditions, the August quarter was "a solid one which reflects encouraging progress with our business improvement plans". However, he warned: "I foresee difficult market conditions for some time to come."

The first-quarter result was boosted by A$100m of profits from asset sales, including a A$46m gain on the sale of two-thirds of the group's stake in Orbital Engine Corp.

BHP said its steel products operations in Asia had problems with domestic sales and were redirecting sales to export markets.

The company's steel activities in Australia and New Zealand have also reduced their exposure to Asian markets from about two-thirds to one-third of total exports.

The Asian crisis was also partly blamed for weak world copper, oil and other commodity prices, which have cut into BHP's profits. However low US dollar commodity prices were offset to some extent by the Australian dollar's weakness against the US currency.

BHP said its world minerals division, which saw a A$70m loss, was hit by continuing high operating costs at the Hartley platinum mine in Zimbabwe and the Beenup mineral sands operation in Western Australia.

The petroleum division was affected by significantly lower crude-oil prices and lower profits from sale of assets, but this was partly offset by increased sales volumes and lower exploration expenditure.

BHP's copper arm was given a boost by the resumption of operations at Ok Tedi in Papua New Guinea, but this was countered by lower average copper prices.

BHP said: "Benefits from cost reduction initiatives continue to be reflected in lower production and overhead costs, particularly at the coal, ferrous minerals and copper divisions." The group cut costs by A$150m during the quarter.

The company maintained its quarterly dividend at 25 cents a share.

Ssangyong to focus on core operations

By John Burton in Seoul

The Ssangyong group, one of South Korea's leading conglomerates, is to focus on its core cement business after deciding to sell its oil refining division and following the recent acquisition of its securities subsidiary by a US investment company.

Ssangyong is disposing of most of its assets to pay debts of nearly Won3,000bn ($2.16bn) that were amassed during an ill-fated attempt to manufacture cars.

The group has decided to sell its 28.4 per cent stake in Ssangyong Oil Refining for an estimated $500m, possibly to the Saudi state-run oil company Aramco, which already owns a 35 per cent stake.

Ssangyong Investment & Securities last week became the first Korean securities firm to be sold to a foreign investor, in a deal with Hambrecht & Quist of the US.

Ssangyong decided to sell its securities unit, Korea's fifth largest brokerage house, after it lost Won263.5bn in the last fiscal year owing to the poor state of the Seoul bourse and an ill-timed expansion of its business operations.

H&Q, a San Francisco-based venture capital firm, will acquire a controlling stake of 28.1 per cent in the business for an undisclosed sum.

It will also make a $110m capital investment by buying rights issues and convertible bonds to be issued by Ssangyong Securities to raise its capital adequacy ratio and avoid a threatened closure by the government for its poor financial status.

The Ssangyong group encountered financial problems because of heavy investments in the mid-1990s to produce cars in co-operation with Mercedes Benz. The car division, Ssangyong Motors, was sold to Daewoo last December, although Ssangyong was forced to assume half of its debts of Won3,400bn.

In an effort to raise capital of at least $1bn, Ssangyong has also sold its paper unit, to Procter & Gamble, a California hotel, three shipping vessels, and the Seoul headquarters of Ssangyong Securities.

Ssangyong plans to cut its high debt burden in half to two times equity by the end of 1999.

Ssangyong will concentrate on its main cement operations, which includes the world's largest cement plant with an annual production capacity of 11m tonnes.

INTERNATIONAL BONDS DISMAL MACROECONOMICS UNDERLIE UNPRECEDENTED BULL RUN

JGB yields reach worldwide lows

By Paul Abrahams in Tokyo

Japan's benchmark government bond is being changed tomorrow. The 182nd bond was getting too long in the tooth to be called a long-bond. With only seven years left before redemption, its yield had fallen at the end of last week to an astonishing 0.675 per cent – the lowest in the world.

However, it is not that this miserly return was merely the product of its position on the yield curve. Its replacement, the 203rd 10-year bond issued in May is yielding just 0.83 per cent. Only a few months ago the 182nd was offering 1.4 per cent and only the most pessimistic commentators believed it would fall to 1 per cent.

The reasons for this unprecedented bull-run in the bond market are not hard to fathom. Underlying everything is the dismal macroeconomic environment.

The Japanese economy has just completed its third quarter of negative growth. Broker Warburg Dillon Read has just cut its GDP forecasts, predicting contractions for the next three calendar years of 1.7 per cent, 1.9 per cent and 0.9 per cent.

Susumu Kato, chief economist in Tokyo for Barclays Capital, believes the outlook for the Japanese economy is bleak. "There may not be self-sustaining growth for three years, possibly even five," he says.

With such poor economic prospects, consumer and wholesale prices are set to fall – a positive phenomenon for bonds. The deflationary pressures are huge. The 2.1 per cent a year decline in wholesale prices is feeding through to the consumer level. HSBC is predicting the consumer price index will dip this quarter and decline for the five succeeding quarters – effectively into the new millennium.

The recession means government bonds – even at yields of 0.675 per cent or 0.83 per cent – present an attractive investment for those that have to own Japanese assets.

This month's effort by the government's to kick-start the economy was to cut the over-night call rate to just 0.25 per cent.

As for equities, their dismal yield of just under 1 per cent scarcely compensates for the continuing falls in their value. Last week the Nikkei 225 hit a 12-year low. The return on the stock market is clearly negative.

The attraction of government bonds is enhanced by the supply/demand balance. Last year's disastrous fiscal tightening affected the primary supply of bonds. And the Bank of Japan's halting steps towards monetisation is leading it to buy up bonds in the secondary market.

The financial institutions that sell to the BoJ then just buy more in the primary market. The demand side is boosted by the fact that these are, after all, zero-risk assets, an unusual commodity in late-twentieth-century Japan.

Despite all these factors buoying the market, there is a real danger that Japanese government bonds could crash, warns Mr Kato at Barclays Capital. The biggest threat is a global crash, beginning in Latin America and feeding through to the US and global markets.

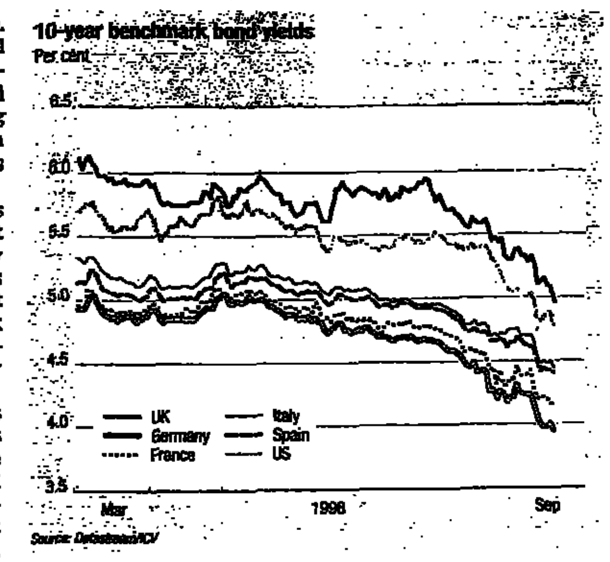
Other threats include the government having to increase the supply of bonds because it is running out of money. Although the sales tax was raised last year from 3 per cent to 5 per cent, government revenues are falling because of the recession.

Last week, Tokyo said its tax take had fallen 8.6 per cent below target, a figure likely to be repeated at national level. The final threat, according to Mr Kato, is that the economy begins, rather unexpectedly, to grow, but this, he says, is the least likely.

However, the most compelling reason for the market to remain at these heady levels is that the government cannot afford to let it fall. Japan's beleaguered banks are among the biggest investors in the market. Battered by losses on their holdings in the stock market, the banks are also suffering from massive bad loans.

The collapse in the value of the collateral for these loans – mainly property – combined with the desperate cash-flow position of many of their customers has had a devastating effect on their capital base.

Were the bond market to collapse it could lead to a number of bank failures, which at the very least would exacerbate the credit crunch, and at worst could cause a systemic failure. The social, political and economic consequences of a bond crash are so unimaginable that, if it remains in its power, the government will not let it happen.



Merrill offers hindsight bonds

By James Mackintosh

A new type of investment bond that carries out asset allocation between European markets with the benefit of hindsight could become common as Merrill Lynch prepares to lend the weight of its name to a DM1bn ($591m) issue.

Merrill was beaten to the markets last year by Johnson Fry, a tiny UK fund manager, which raised several million pounds for its Dublin-based 20:20 Hindsight fund, but Merrill expects to raise far more money, helped by its strong distribution network and blue-chip name.

The bonds, part of Merrill's Euro-certificates range, will be sold primarily to rich private investors via private banks and up-market financial advisers.

Onno Vriesman, assistant vice-president, product development, said the bonds would help investors overcome uncertainty in European markets. He expected to sell DM300m within weeks, with up to DM1bn taken by early next year.

The bonds, which last for seven years, allocate the initial investment between eight European stock markets – including the UK – according to each market's performance, with the best performer gaining 16 per cent of the investment and the worst 9 per cent.

Returns are then given according to market indices, although investors sacrifice dividends.

The bonds are denominated in Deutsche marks and will be listed on the Amsterdam, Frankfurt and Luxembourg stock exchanges as well as two smaller German markets.

Graham Hooper, investment director of Chase de Vere, the UK financial adviser, said: "It is a concept that has been bumped around the market for a while, but it has not had the credibility of a name like Merrill behind it."

"I think now we will see variations of it [from other investment banks] – I am surprised no-one apart from Johnson Fry has done it yet," Mr Hooper said.

Japanese metals group files for bankruptcy

By Alexandra Harney in Tokyo

Yahagi, the Japanese metals group that expanded into software and temporary staffing, has filed for bankruptcy in a local district court with an estimated Y3.5bn ($26.4m) in liabilities.

Yahagi is the fifth listed Japanese company to go bankrupt this year, according to Teikoku Data Bank, a research group.

Last month, Okura, one of Japan's oldest trading houses, filed for bankruptcy, following the collapse of Showa Plastics, a manufacturer of dashboards and television cases, and Mita Industrial, a photocopier maker.

Yahagi, which was founded in 1937 as a metals trader, ran into funding difficulties this year after attempting to move into multimedia and internet telephone services.

Last year, the group tried to raise new capital through a third-party share issue to Kyokuichi, a small multimedia and clothing company, and acquired the temporary staffing business through a deal with Pasona, Japan's largest staffing group.

However, the company met further funding troubles, prompting two executives to resign at a board meeting earlier this month.

The group, which employs 66 people, has ties with the Industrial Bank of Japan, which holds 4.1 per cent of the company. It could not be reached for comment.

The announcement was made after the close of trading on Friday. Shares in Yahagi ended up Y5 at Y29. The stock, which will be delisted next month, has fallen 93 per cent from a 1998 high of Y440 in March.

Swiss divided over sale of gold reserves

By Philip Coggan, Markets Editor

Swiss public opinion is divided over whether the central bank should sell part of its gold reserves, according to a new poll.

Draft legislation was approved by the Swiss federal government in May, which would allow the bank to revalue and gradually sell 1,300 tonnes of gold, about half its reserves. The plan would have to be approved in a referendum.

The poll, conducted by the Swiss organisation GfS on behalf of the World Gold council, found 42 per cent agreed with the idea that the Swiss reserves should be sold and 40 per cent disagreed. The remaining 18 per cent were "Don't Knows".

But the poll also found that 69 per cent of the population thought it was "rather important" for Switzerland to have substantial gold reserves and only 25 per cent thought the current level was excessive.

A substantial gold sale by the Swiss Central Bank would have a depressing effect on the bullion price, which remains well below half its level in 1980.

Fuji Electric warns of first-half deficit

Fuji Electric has sharply revised downward its sales and profit forecast for the 12 months to March 31, 1999 and warned that, for the first time in 22 years, it would report a first-half loss, reports Dow Jones in Tokyo.

The Japanese electrical machinery maker also said it would axe 10 per cent of the workforce, pass its interim dividend and that it was undecided on the year-end pay-out.

The group said an anaemic domestic economy and the economic unrest in Asia had forced Japanese companies to hold back capital outlays on new plant and equipment, thus leading to weakness in prices for Fuji's industrial machinery.

The sluggish Asian economy has also curbed the company's exports to the region.

Fuji added that the slump in the personal computer market had helped to worsen its businesses related to magnetic memory products.

Fuji is now predicting an unconsolidated pre-tax profit of Y3bn ($23m) for the full fiscal year, well below its previous forecast of Y10.5bn.

Net profit is now pegged at Y2bn, against the previously expected Y6bn.

Sales are now expected to be Y550bn, compared with the Y580bn it projected in May.

For the first half to September 30, Fuji said pre-tax losses would be Y1bn, net losses Y500m and sales Y220bn.

The company added that it would not be able to avoid revising its sales and earnings outlook on a consolidated basis for this fiscal year, saying it was currently compiling new earnings estimates.

Given the poor business performance, Fuji said it would restructure, partly through a reduction in staff. On a consolidated basis, it would cut its workforce by about 10 per cent to 30,000 by March 2000.

On a parent basis, it will reduce workers by 1,000 to 13,000 by March 2000, in part through natural attrition and a voluntary retirement programme.

The company will also freeze new capital investment in principle for the time being.

It will also reduce spending on research and development to Y32bn from the Y33.7bn initially planned.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Friday, September 18, 1998. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	6003.99	4750.00	2806.16	3576.13
Albania	(Lek)	250.820	148.850	87.9986	112.065
Algeria	(Dinar)	97.8821	58.0865	34.3414	43.7381
Andorra	(French Fr)	9.5572	5.6718	3.3531	4.2701
	(Sp Peseta)	242.208	143.740	84.9778	108.218
Angola	(Readj Kwanza)	433273.7	257128.0	152011.8	193584.0
Antigua	(E Carib $)	4.5497	2.7000	1.5962	2.0328
Argentina	(Peso)	1.6844	0.9996	0.5910	0.7526
Armenia	(Dram)	846.5360	502.380	297.003	378.227
Aruba	(Florin)	3.0163	1.7900	1.0582	1.3476
Australia	(Aus $)	2.8563	1.6951	1.0021	1.2762
Austria	(Schilling)	20.0555	11.9020	7.0364	8.9607
Azerbaijan	(Manat)	6555.95	3890.00	2335.21	2873.84
Azores	(Port Escudo)	292.120	173.360	102.489	130.518
Bahamas	(Bahama $)	1.6851	1	0.5912	0.7529
Bahrain	(Dinar)	0.6353	0.3770	0.2229	0.2838
Balearic Is	(Sp Peseta)	242.209	143.740	84.9778	108.218
Bangladesh	(Taka)	79.3660	47.1000	27.8451	35.4602

		£ STG	US $	D-MARK	YEN (X 100)
Gibraltar	(Gib £)	1	0.5935	0.3508	0.4468
Greece	(Drachma)	489.895	290.730	171.877	218.882
Greenland	(Danish Krone)	10.8679	6.4496	3.8129	4.8557
Grenada	(E Carib $)	4.5497	2.7000	1.5962	2.0328
Guadeloupe	(French Fr)	9.5572	5.6718	3.3531	4.2701
Guam	(US $)	1.6851	1	0.5912	0.7529
Guatemala	(Quetzal)	10.9481	6.4970	3.8410	4.8913
Guinea	(Fr)	2094.52	1243.00	734.851	935.818
Guinea-Bissau	(CFA Fr)	955.720	567.180	335.309	427.008
Guyana	(Guyanese $)	248.208	147.300	87.0825	110.898
Haiti	(Gourde)	27.7776	16.4847	9.7458	12.4105
Honduras	(Lempira)	22.7398	13.4950	7.9781	10.1600
Hong Kong	(HK $)	13.0541	7.7470	4.5800	5.8325
Hungary	(Forint)	370.357	219.790	129.938	165.473
Iceland	(Icelandic Krona)	117.785	69.9000	41.3243	52.6256
India	(Indian Rupee)	71.6464	42.5200	25.1375	32.0120
Indonesia	(Rupiah)	18704.1	11100.0	6562.22	8356.86

		£ STG	US $	D-MARK	YEN (X 100)
Pakistan	(Pak. Rupee)	84.3918	50.0825	29.6083	37.7056
Panama	(Balboa)	1.6851	1	0.5912	0.7529
Papua New Guinea	(Kina)	3.8672	2.2950	1.3568	1.7278
Paraguay	(Guarani)	4760.27	2825.00	1670.12	2126.86
Peru	(New Sol)	5.0889	3.0200	1.7854	2.2737
Philippines	(Peso)	73.9738	43.9000	25.9533	33.0510
Pitcairn Is	(£ Sterling)	1	0.5935	0.3508	0.4468
	(NZ $)	3.3357	1.9796	1.1703	1.4904
Poland	(Zloty)	6.0578	3.5950	2.1253	2.7066
Portugal	(Escudo)	292.120	173.360	102.489	130.518
Puerto Rico	(US $)	1.6851	1	0.5912	0.7529
Qatar	(Riyal)	6.1344	3.6405	2.1522	2.7408
Reunion Is. de la	(Fr Fr)	9.5572	5.6718	3.3531	4.2701
Romania	(Leu)	15291.8	9075.00	5365.06	6832.30
Russia	(Rouble)	32.0182m	19.0001	11.2327	14.3046
Rwanda	(Fr)	524.101	311.030	183.878	234.165
St Christopher	(E Carib $)	4.5497	2.7000	1.5962	2.0328

MARKETS WEEK

September 21 - September 27

NEW YORK

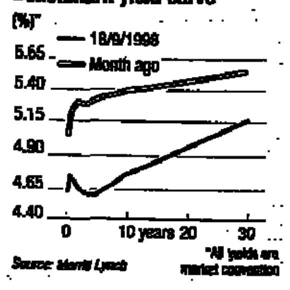
By Richard Waters

Each time Treasury bond prices seem to get ahead of themselves, yields resume their march lower. Last week ended with a record low yield on the long bond, at 5.15 per cent – despite a reversal when hopes for a co-ordinated cut in global interest rates were dashed. Two-year notes also shrugged off the disappointment and the yield fell to 4.68 per cent.

With the Fed due to decide a week from tomorrow on whether or not to cut interest rates, there is likely to be little in this week's flow of domestic economic data to tip the decision one way or the other.

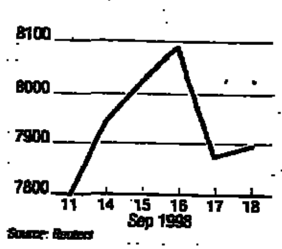
Thursday's release of durable goods orders for August is expected to show a moderate increase of 0.5 per cent, slower than the sharp rise in July. Friday should bring evidence of continued strength in personal incomes (up 0.5 per cent in August) and consumption (up 0.6 per cent.)

Benchmark yield curve (%)*



Source: Merrill Lynch *All yields are market convention

Dow Jones Industrial Average



Source: Reuters

More important in the Fed's deliberations could be the direction of financial markets. A rally in the stock market would make it difficult for the Fed to ease. Paradoxically, if hopes for a cut fade this week, share prices could stumble – making it more likely that rates would be cut.

LONDON

By Steve Thompson

After last week's turbulence, which saw the FTSE 100 index drop below the level at which it kicked off the year, investors will be watching carefully for evidence of more profits warnings.

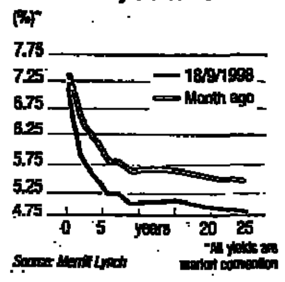
A mixture of warnings from leading stocks caused much of the turmoil in London's stock market last week. Alcatel's results and the accompanying warning of sliding profits triggered alarm bells across all the big telecoms equipment manufacturers, not least GEC. That news, plus profit alerts from Shell, Bass and RMC, induced extreme caution.

In a rather sparse week for economic news the CBI's September survey of industrial trends will be scrutinised for more evidence of the effects of the emerging markets' crisis, and the strength of sterling, on UK manufacturing.

Three FTSE 100 constituents report this week, Tesco, Sun Life and Diageo. The last-named has been the subject of a number of profit downgrades recently, as analysts fretted over falling sales in Asia.

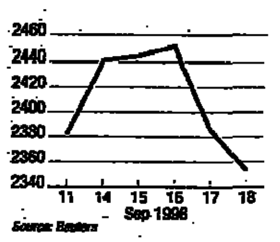
But what has been bad news for equities has been good news for gilts, with the 10 year yield dipping to 5 per cent for the first time since March 1957 last week.

Benchmark yield curve (%)*



Source: Merrill Lynch *All yields are market convention

FTSE All-Share Index



Source: Reuters

FRANKFURT

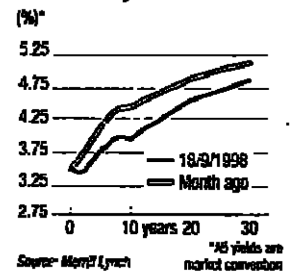
By Andrew Fisher

Investors are likely to remain well under cover after the short-lived recovery in the German stock market was succeeded by a further bout of selling at the end of last week.

The Dax blue chip index again succumbed to fears that the financial crisis that has engulfed Asia, Russia and other emerging markets could develop into a full-scale global recession. Also upsetting sentiment was the frustration of hopes of an early cut in interest rates in the US and other leading industrialised countries.

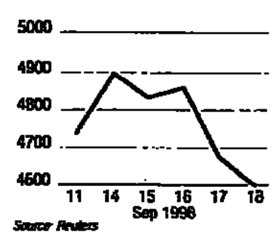
Landesbank Rheinland-Pfalz expects the German stock market to remain weak and volatile in coming weeks, with the Dax ranging between 4,500 and 5,100. On Friday, it closed at just over 4,620, having begun the year some 400 points lower and briefly edging above 6,000 in the summer. "It is certainly too early to sound the all-clear," the bank said.

Benchmark yield curve (%)*



Source: Merrill Lynch *All yields are market convention

Dax index



Source: Reuters

Traders were further disheartened by the fact that foreign investors continued to sell German shares, in spite of the declining levels of recent weeks.

The outlook is also clouded by uncertainty over the outcome of the German general election taking place on Sunday.

TOKYO

By Alexandra Harney

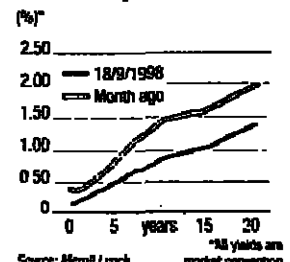
Investor concerns about corporate profitability and uncertainty in the banking system will weigh on the market this week in Tokyo.

Politicians reached a last-minute compromise on a plan to revitalise the troubled financial sector before Keizo Obuchi, the prime minister, left to meet Bill Clinton, US president. The market will be watching the results of this meeting and looking for more details on the financial reform plan this week.

The problems of the banking sector and a series of gloomy corporate profits warnings hit the equity markets last week, dragging the Nikkei 225 average to its lowest in 12 years.

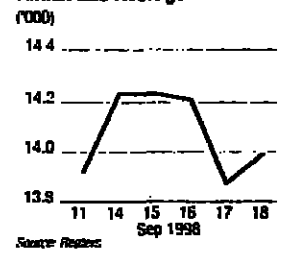
The Nikkei rallied at the end of the week amid reports that politicians were nearing a compromise on the financial reform plan, gaining 123.98 points or 0.9 per cent to 13,983.12 but still 244.25 points below its close on Monday.

Benchmark yield curve (%)*



Source: Merrill Lynch *All yields are market convention

Nikkei 225 Average ('000)



Source: Reuters

Bond yields plunged to record lows as investors switched out of equities on concerns about deteriorating corporate profitability.

The yield on the benchmark 182 10-year contract fell to 0.645 per cent before rising to 0.67 per cent at the close, 0.005 above the record low set on Thursday.

COMPANIES DIARY

ENI's gas earnings to bolster results

Ente Nazionale Idrocarburi (ENI), the Italian energy group, is expected to report a first-half net profit of L3,000bn–L3,420bn on Tuesday, up from L2,620bn ($1.47bn) a year earlier, as extraordinary gains and strong earnings from gas and downstream operations are likely to offset heavy losses from exploration and production, analysts said, *writes AFX in Milan.*

"Eni's first-half results will be a lot less dramatic than those of its competitors such as Royal Dutch/Shell," said Angelo Imarisio, Uniprof oil analyst. Jeremy Hudson, analyst at Salomon Brothers, expects ENI to announce a first-half net profit of L3,420bn. However, after stripping out non-recurring items, net will rise to only L3,030bn, against L2,670bn a year earlier.

Mr Hudson said that while ENI was probably "looking at the stock-market values" of small to medium-size oil groups with interest, he did not foresee it pursuing a much-speculated takeover bid for Enterprise Oil of the UK. "I would have thought [Enterprise] would be a bit beyond their reach as itwould leave debt levels higher than where ENI wants them," he said.

● Fiat, the Italian automotive group, is expected to report a first-half operating profit excluding insurance activities of L1,5710bn –L1,600bn on Tuesday, against L1,904bn a year earlier, *AFX reports from Milan.* Pre-tax profit will be L1,6370bn–L1,979bn compared with L2,263bn, analysts said.

Fiat's results will give a clear indication of how the group's underlying performance has withstood thinning profit margins in emerging markets. Analysts agree that increased profits at Iveco and New Holland will not fully compensate an expected decline in Fiat Auto profits.

Monica Bosio, Eptasim analyst, forecast operating profit excluding insurance of L1,571bn, out of sales of L47,260bn. "Fiat Auto really had to slash its profit margins in emerging markets and this is really going to hit operating profits," she said. Ms Bosio expects Fiat pre-tax profit to fall by 12.5 per cent to L1,979bn.

● Telecom Italia will next Friday announce a first-half netprofit of L2,210bn –L2,400bn, against L1,830bn a year ago, and sales of L21,300bn–L21,400bn, up from L20,519bn, according to telecommunications analysts and fund managers. However, they said the market was expected to pay more attention to the group's proposed three to five-year business plan than its results, as they hoped to see details on the restructuring of the company's domestic business and clarification of the group's international strategy.

Caboto SIM telecoms analyst, Deirdre Ernest, who expects a first-half net profit of L2,210bn on sales of L21,400bn, said she was especially interested in details of the restructuring of Telecom Italia's domestic business: "We have heard from union sources that Telecom Italia and Telecom Italia Mobile plan to outsource their data processing units to the group's information technology unit, Finsiel, but we don't know how much Telecom Italia will pay in outsourcing costs."

● The mild winter and increased generation of power by gas-fired power stations will probably have hit pre-tax profits at RJB Mining, the UK coal production company which reports tomorrow, *writes Martin Brice.*. The future direction of the share price will probably be decided by the result of the government's energy review which is due to be announced at the end of the month. There have already been reports that the government will press ahead with its proposed moratorium on new gas-fired power stations as part of its efforts to reform the electricity market and support the deep-mined coal industry, where up to 3,000 jobs are under threat. Analysts have pencilled in a 60 per cent fall in pre-tax profits to £35m ($58m), and there may be a dividend cut.

● Tarmac said at its AGM in June that year-on-year price increases were being achieved. Analysts will be keen to hear tomorrow of any success in forcing prices higher across the industry, and of the need to update its US facilities. BT Alex Brown forecasts a 14 per cent advance in interim pre-tax profits to £44m. Chris Grant at the broker has told clients: "We believe further price increases and higher US construction spending offers a promising outlook."

● The maiden full-year figures from Diageo on Thursday will probably be hurt by the strength of sterling and the financial crisis in Asia, which are expected to have particularly affected its spirits business. However, the food side and its Guinness business may also have suffered, although in a recent trading statement the company said beer sales continued their strong performance in North America with volumes up more than 20 per cent. A consensus from First Call suggests an underlying pre-tax figure of £1.9bn, a slight drop from £1.93bn last time.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Maturity	Coupon %	Price	Yield %	Launch spread bp	Book-runner
US DOLLARS							
Tennessee Valley Auth(a)	500	Mar 2013	5.00#	104.1285	5.580	-	Lehman Brothers
World Bank(f)	300	Feb 2008	5.75	102.896R	5.345	+44(5⅝%May08)	ABN Amro/Goldman
Centex HELT, 98-3(b)★	240	-	-	-	-	-	Lehman Brothers
World Bank(g)	200	Feb 2008	5.75	102.624R	5.382	+42(5⅝%May08)	ABN Amro/Goldman
Deutsche Ausgleichsbank	1bn	Sep 2003	5.125#	99.891R	5.150	+58(5¾%Aug03)	Lehman/Salomon SB
BOHT 1998-1(m)★‡	850	Dec 2005	(m1)	100.00	-	-	CSFB
Bacob Overseas	60	Nov 2001	5.25	100.193R	5.179	+52(5⅝%May01)	Artesia/KBC Bank
TALT 98-B, Class A1(q1)	335	Oct 2000	5.35	99.9974	-	-	Lehman/M Stanley
TALT 98-B, Class A2(q2)	575	Sep 2001	5.45	99.9708	-	-	Lehman/M Stanley
TALT 98-B, Class A3(q3)	95.4	Feb 2002	5.50	99.9315	-	-	Lehman/M Stanley
AFC MLABC 98-3, 1A-1(r1)★‡	51	Oct 2028	(r1)	100.00R	-	-	Merrill Lynch
AFC MLABC 98-3, 1A-2(r2)★‡	188	Oct 2028	(r2)	100.00R	-	-	Merrill Lynch
AFC MLABC 98-3, 2A-1(r3)★‡	78	Oct 2028	(r3)	100.00R	-	-	Merrill Lynch
AFC MLABC 98-3, 2A-2(r4)★‡	133	Oct 2028	(r4)	100.00R	-	-	Merrill Lynch
Provident Bank HELT 98-3(t)	275	-	-	-	-	-	Lehman Brothers
STERLING							
World Bank(h)	150	Jul 2007	7.125	109.255	5.758	-	Warburg Dillon Read
Residential Mtg Secs 4(j)‡	131	Sep 2038	(j1)	99.82R	-	-	Barclays Capital
European Inv'ment Bank(k)	75	Dec 2008	6.25	104.045	5.712	+50(9%Oct08)	HSBC Markets
European Inv'ment Bank(n)	75	Dec 2028	6.00(s)	107.522	5.484	+68(6%Dec28)	Barclays Capital
KfW International Finance(u)	400	Jun 2021	5.55(s)	99.524	-	-	JP Morgan Securities
European Inv'ment Bank(v)	200	Nov 2004	6.00	101.074	5.783	+58(6¾%Nov04)	ABN Amro
FRENCH FRANCS							
Republic of France(c)	24bn	Jul 2009	3.00	100.177R	-	-	BNP/Barclays/SG
KfW International Finance	2bn	Oct 2008	4.375	99.90R	4.388	+23(I)	CDC Marchés
EUROS(e)							
Nomura Global Funding	200	Sep 2002	3.80(s)	99.97	-	-	Nomura International
YEN							
Nomura Global Funding	20bn	Sep 2002	0.90(s)	99.97	-	-	Nomura International
Council of Europe(w)★	25bn	Oct 1999	4.10(s)	100.00	-	-	Daiwa Europe
ITALIAN LIRE							
World Bank(d)‡	100bn	Sep 2018	(d1)	99.80R	-	-	BNL/CSFB
World Bank(x)‡	125bn	Oct 2018	(x1)	99.75R	-	-	Sanpaolo International
DANISH KRONER							
Tractebel Invest Intl	400	Dec 2004	5.00(l)	102.22	4.575	-	Generale Bank
SWEDISH KRONOR							
KfW International Finance	500	Oct 2007	5.04	100.00	5.040	-	CIBC Wood Gundy
IRISH POUNDS							
Crms No 2, Class A(o)‡	188	Aug 2030	(o1)	99.90R	-	-	Warburg Dillon Read
GREEK DRACHMA							
GECC	10bn	Oct 2001	9.25	99.95R	9.270	-	TD Securities

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. §Convertible. ‡Floating-rate note. ◊With equity warrants. ★Unlisted. (s)Semi-annual coupon and yield. R: fixed re-offer price. a) Fungible with $1bn. Plus 13 days accrued. b) Home Equity Loan Trust. 7-tranche asset backed. c) Linked to French CPI. Plus 66 days accrued. d) Callable annually from 29/9/05 at par. d1) 12% in yr 1, 7¼% in yr 2, 6% in yr 3-4, 6% or inverse coupon (issuers option) in yrs 5-7, then 14½% - 2 x 12-mth Libor. e) Payments in Ecu prior to Emu. Spread relates to French govt Ecu bonds. f) Fungible with $2bn. Plus 222 days accrued. g) Fungible with $2.3bn. Plus 222 days accrued. h) Fungible with £300m. Plus 52 days accrued. i) Over interpolated yield. j) Fungible with £98.6m. Plus 13 days accrued. Average life. 2.6 yrs. Callable from Sep 05 at par. j1) 3-mth Libor +18bp to Sep 05, then +50bp. j2) Class B of £5.9m and Class M of £8.1m were privately placed. k) Fungible with £700m. Plus 245 days accrued. l) Long 1st coupon. m) Banc One Heloc Trust. Secured on mortgages. Average life: 3.43 yrs. m1) 1-mth Libor +25bp. n) Fungible with £1bn. Plus 186 days accrued. o) Celtic Residential Irish Mortage Securitisation. Originator First Active plc. Callable from Aug 06 at par. o1) 3-mth Dibor +20bp to Aug 06, then +50bp. o2) Class B of I£12m priced today. p) Oeffentliche Pfandbrief. q) Toyota Auto Lease Trust. Monthly coupons. Legal maturities: q1) 25/7/02, q2) 25/3/03, q3) 25/12/03. r) Mortgage Loan Asset Backed Certificates. r1) Av Life: 3.5 yrs. 1-mth Libor 31bp. r2) Av life 3.5 yrs. 1-mth Libor +32bp. r3) Av life: 2.8 yrs. 1-mth Libor +25bp. r4) Av life: 2.8 yrs. 1-mth Libor +26bp. s) Short 1st coupon. t) Home Equity Loan Trust. 6 tranches. u) Includes £150m increase at 99.582%. v) Fungible with £1bn. Plus 303 days accrued. w) Redeemed in Y of $ depending on FX during observation period. x) Callable annually from 19/10/05 at par. x1) 11½% in yr 1, 6% in yr 2, 5% in yrs 3-5, 4½% in yrs 6-7, then 15% - 2 x 12-mth Libor. Note: Yields are calculated on ISMA basis.

LONDON MARKET DATA

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1998 High	1998 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
*	F.P.	10,430	859	626¼	Alld Zurich	666	+11	W17.7c	3.3	-	6.4
*	F.P.	0.36	12½	8	Chaucer A Wts	12½		-	-	-	-
160	F.P.	1,937	192½	145	Coca-Cola Bev	181½	+14	-	-	-	-
-	F.P.	-	58	55½	Enterprise Cap 8 Pf	55½		-	-	-	-
-	F.P.	-	149½	80	GEC Pcl Wts	137½	-3	-	-	-	-
§130	F.P.	118.8	129½	120½	Kiln	122½		W-	-	-	14.5
-	F.P	371.6	98	88	MEPC Non Cum Pf B	89½	-½	-	-	-	-
-	F.P	-	5	4	†Mano River (UK)	5		-	-	-	-
-	F.P	14.3	114½	109½	†Metnor	112½		b3.6	-	4.0	-
§	F.P	4.71	18	11	Murray Extra Rtn Cap	13½		-	-	-	-
§100	F.P.	29.1	109	99	Do Inc	106½		b7.95	-	9.3	-
§	F.P	23.7	100½	98¼	Do Zero Div Prf	99¼		-	-	-	-
§32	F.P.	4.02	32½	28½	†Parallel Pictures	28½		-	-	-	-
§65	F.P.	4.05	66½	62½	†Private & Comm Fin	65		B0.6	-	1.2	15.6
*	F.P.	15.2	65¼	37½	†Sodra Petroleum	37½	-2	-	-	-	-
*	F.P	4.96	103½	90½	†SupaRda	90½		-	-	-	-
-	F.P	-	34	29½	Syndicate Cap Wts 98/02	27½		-	-	-	-
-	F.P	-	35½	32½	Walker Greenbank B	34		-	-	-	-
§2	F.P	2.46	2½	2½	†Winslow	2½		-	-	-	-

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1998 High	1998 Low	Stock	Closing price p	+or-
520	Nil	28/9	3½pm	3¼pm	Cammell Laird	3½pm	
10.25	Nil	5/10	3½pm	½pm	Tadpole Tech	½pm	-⅛

pm premium.

FTSE GOLD MINES INDEX

	Sep 18	% chg since 31/12/97	Mkt Cap $bn	% of Gold Mines	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (27)	983.25	-7.1	30.44	100.00	2.01	-	1595.45	701.58
Regional Indices								
Africa (9)	1062.95	-3.8	8.59	28.21	4.58	41.79	1525.29	765.83
Australasia (7)	1048.94	-9.3	2.73	8.96	3.02	7.28	1609.85	815.93
Americas (11)	949.67	-8.9	19.13	62.83	0.72	55.77	1574.16	647.69

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STOCK INDICES

	Sep 18	Sep 17	Sep 16	Sep 15	Sep 14	1998 High	1998 Low	Since comp. High	Since comp. Low
FTSE 100	5055.6	5132.9	5291.7	5281.7	5268.6	6179.0	5055.6	6179.0	986.9
FTSE 250	4645.8	4687.2	4758.8	4723.3	4736.7	5966.6	4627.3	5966.6	1379.4
FTSE 250 ex IT	4697.4	4743.7	4811.6	4779.3	4793.8	6030.6	4683.9	6030.6	1378.3
FTSE 350	2425.9	2460.1	2529.2	2522.0	2518.1	2967.6	2425.9	2968.4	664.5
FTSE SmallCap	2060.97	2072.22	2091.80	2089.92	2093.95	2888.09	2047.45	2888.09	1363.79
FTSE SmallCap ex IT	2053.21	2067.39	2084.17	2085.63	2080.59	5554.10	2042.00	5554.10	1363.79
FTSE All-Share	2354.83	2386.94	2451.66	2444.89	2441.56	2886.17	2354.83	2886.17	61.92
FTSE Fledgling	1155.62	1159.45	1170.35	1169.86	1169.86	1617.11	1140.23	1617.11	31.14
FTSE Eurotop 100	2344.37	2378.48	2480.58	2460.07	2479.99	3068.91	2236.40	3068.91	2044.47
FTSE Eurotop 300	1021.37	1035.10	1060.00	1069.36	1073.09	1327.88	971.93	1327.88	874.08
FT 30	3102.1	3152.9	3267.0	3266.0	3271.2	3884.0	3102.1	3884.0	49.4
FT Govt Securities	111.09	111.06	110.05	109.88	109.52	111.09	93.31	141.84	49.18
FT Fixed Interest	151.02	150.49	149.85	149.90	149.65	151.02	115.32	151.02	50.53
FTSE Gold Mines	983.25	977.07	940.89	959.58	964.28	1351.57	701.58	2074.61	701.58

CURRENCIES & MONEY

Panic might ease

By Simon Kuper

It is now just over a month since the global market crisis was sparked by a letter to the Financial Times from George Soros, the hedge fund manager, who called on Russia to devalue.

That doomed the rouble, which dragged down most other emerging market currencies in its wake. The turmoil hit western stock markets, which had long been seen as overvalued anyway.

In the middle of it all, Kenneth Starr accused President Bill Clinton of perjury and called for him to be impeached. Traders have hardly had a quiet night in weeks. Markets have occasionally rallied, but never held on to their gains.

The question this week is whether the panic will start to ease. It depends on three questions: will the west help save Brazil, and with it most of Latin America, from devaluation? Will President Clinton survive? And will the US cut interest rates to help emerging markets?

The president's future looks brighter than it did a week ago. Admittedly a painful videotape of his testimony to a grand jury about his private life is released today, but most of the public seems to want him to stay in office. A fading of the uncertainty should help Wall Street and thus the dollar.

The Brazilian question appears open. The International Monetary Fund and western governments are clearly trying to find support for the Real but a currency can collapse very quickly, as countries from Russia through Venezuela to Thailand have found recently.

Last week the notion faded that the Federal Reserve might cut rates. Alan Greenspan, Fed chairman, said there was no concerted international plan to loosen monetary policy but he also said deflationary pressures seemed to be increasing.

There is a paucity this week of data on economic growth, which would reveal whether or not the world is tumbling into recession.

POUND SPOT FORWARD AGAINST THE POUND

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

† SDR rate per $ for Sep 17. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Sep 17: Base average 1990=100. Bid, offer, mid spot rates and forward rates in both this and the Dollar table are derived from THE WM/REUTERS CLOSING SPOT and FORWARD RATE services. Some values are rounded by the F.T.
The exchange rates printed in this table are also available on the Internet at http://www.FT.com

WORLD INTEREST RATES

MONEY RATES

Sep 18	Over night	One month	Three mths	Six mths	One year	Lomb. Inter.	Dis. rate	Repo rate
Belgium	3½	3¼	3½	3⅞	3⅝	6.00	2.75	-
week ago	3⅝	3⅞	3⅞	3⅞	3⅞	6.00	2.75	-
France	3⅞	3⅞	3⅞	3⅞	3¾	4.60	-	3.30
week ago	3⅞	3⅞	3⅞	3½	3⅝	4.60	-	3.30
Germany	3½	3⅞	3⅞	3½	3⅞	4.50	2.50	3.30

■ $ LIBOR BBA London								
Interbank Fixing	-	5⅝	5½	5⅝	5⅝	-	-	-
week ago	-	5⅞	5½	5⅞	5⅞	-	-	-
US Dollar CDs	-	5.32	5.29	5.22	5.09	-	-	-
week ago	-	5.43	5.38	5.32	5.26	-	-	-
ECU Linked Ds	-	4⅛	4⅛	3⅞	3⅞	-	-	-
week ago	-	4⅛	4⅛	3⅞	4⅞	-	-	-
SDR Linked Ds	-	3⅞	3¾	3⅝	3⅝	-	-	-
week ago	-	3⅞	3⅞	3⅞	3¾	-	-	-

London interbank fixing rate (LIBOR) is the BBA London rate, fixed at 11am.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

■ THREE MONTH EUROMARK FUTURES (MATIF)

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

■ POUND IN NEW YORK

Sep 18	--Close--	--Prev. close--
£ spot	1.6815	1.6875
1 mth	1.6791	1.6790
3 mth	1.6740	1.6735
1 yr	1.6535	1.6540

FT GUIDE to WORLD CURRENCIES

The FT Guide to World Currencies table can be found on the Companies and Finance page in today's edition.

■ OTHER CURRENCIES

BANK RETURN

The Bank Return table can be found on page 31 in today's edition.

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Sep 18		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.48	16.25	4.847	1.937	4790	5.466	21.49	496.7	411.9	22.47	3.987	1.700	4.380	2.865	380.6	2.466
Denmark	(DKr)	54.11	10	8.794	2.623	1.048	2592	2.958	11.63	268.8	222.9	12.16	2.157	0.920	2.370	1.550	205.9	1.335
France	(FFr)	61.53	11.37	10	2.982	1.192	2947	3.363	13.22	305.7	253.4	13.83	2.453	1.046	2.695	1.763	234.2	1.518
Germany	(DM)	20.63	3.813	3.353	1	0.400	988.2	1.128	4.433	102.5	84.98	4.636	0.823	0.351	0.904	0.591	78.52	0.509
Ireland	(I£)	51.62	9.539	8.389	2.502	1	2472	2.821	11.09	256.4	212.6	11.60	2.058	0.878	2.261	1.479	196.4	1.273
Italy	(L)	2.088	0.386	0.339	0.101	0.040	100	0.114	0.449	10.37	8.599	0.469	0.083	0.036	0.091	0.060	7.946	0.052
Netherlands	(Fl)	18.29	3.381	2.973	0.887	0.354	876.2	1	3.931	90.87	75.35	4.111	0.729	0.311	0.801	0.524	69.63	0.451
Norway	(NKr)	46.54	8.601	7.564	2.256	0.902	2229	2.544	10	231.2	191.7	10.46	1.855	0.791	2.038	1.334	177.1	1.148
Portugal	(Es)	20.13	3.720	3.272	0.976	0.390	964.2	1.100	4.326	100	82.91	4.523	0.803	0.342	0.882	0.577	76.62	0.497
Spain	(Pta)	24.28	4.487	3.946	1.177	0.470	1163	1.327	5.217	120.6	100	5.455	0.968	0.413	1.063	0.696	92.41	0.599
Sweden	(SKr)	44.51	8.225	7.233	2.157	0.862	2132	2.433	9.563	221.1	183.3	10	1.774	0.757	1.949	1.275	169.4	1.098
Switzerland	(SFr)	25.08	4.635	4.076	1.216	0.486	1201	1.371	5.389	124.6	103.3	5.636	1	0.427	1.099	0.719	95.46	0.619
UK	(£)	58.81	10.87	9.558	2.850	1.139	2817	3.215	12.64	292.1	242.2	13.21	2.345	1	2.576	1.685	223.8	1.450
Canada	(C$)	22.83	4.220	3.711	1.107	0.442	1094	1.248	4.906	113.4	94.04	5.130	0.910	0.388	1	0.654	86.90	0.563
USA	($)	34.90	6.450	5.672	1.692	0.676	1672	1.908	7.499	173.4	143.7	7.842	1.391	0.593	1.529	1	132.8	0.861
Japan	(Y)	26.28	4.856	4.270	1.273	0.509	1258	1.436	5.646	130.5	108.2	5.904	1.048	0.447	1.151	0.753	100	0.648
Ecu	-	40.55	7.493	6.590	1.965	0.786	1942	2.216	8.712	201.4	167.0	9.110	1.617	0.689	1.776	1.162	154.3	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	0.5941	0.5926	-0.0020	0.5960	0.5908	24,997	147,593
Mar	-	0.5949	-0.0020	0.5978	0.5960	9	175
Jun	-	0.5971	-0.0020	0.5996	0.5985	42	148

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	0.7269	0.7241	-0.0037	0.7282	0.7227	16,474	65,055
Mar	-	0.7303	-0.0037	-	0.7315	17	110

■ JAPANESE YEN FUTURES (IMM) Yen 12.5m per Yen 100

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	0.7488	0.7637	-0.0029	0.7725	0.7610	24,886	74,982
Mar	0.7760	0.7736	-0.0029	0.7760	0.7715	31	2,074
Jun	0.7850	0.7831	-0.0029	0.7850	0.7850	-	688

■ STERLING FUTURES (IMM) $62,500 per £

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	1.6280	1.6756	+0.0002	1.6796	1.6700	8,017	50,937
Mar	1.6690	1.6684	+0.0002	1.6690	1.6690	-	29
Jun	1.6400	1.6618	+0.0002	-	-	-	204

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Oct	Nov	Dec	PUTS Oct	Nov	Dec
1.680	1.66	2.20	2.51	1.65	2.40	2.92
1.690	1.22	1.75	-	2.23	2.93	-
1.700	0.87	1.38	1.73	2.82	-	-

Previous day's vol., Calls 8 Puts 56. Prev. day's open int., Calls 1,065 Puts 3,458

■ PHILADELPHIA SE D-MARK/$ OPTIONS DM62,500 ($ per DM)

BENCHMARK GOVERNMENT BONDS

UK INTEREST RATES

LONDON MONEY RATES

Sep 18	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	7⅝ - 7	7½ - 7⅛	7⅞ - 7⅛	7⅞ - 7⅛	7⅞ - 7⅛	7⅛ - 6⅞
Sterling CDs	-	-	7⅞ - 7⅞	7⅞ - 7⅞	7⅛ - 7⅛	7⅛ - 7⅛
Treasury Bills	-	-	7⅛ - 7⅛	7⅞ - 7⅛	-	-
Bank Bills	-	-	7⅛ - 7⅛	7⅛ - 7⅛	7⅛ - 7⅛	-
Local authority deps.	7 - 6⅞	7⅛ - 7⅛	7⅛ - 7⅛	7⅛ - 7⅛	7⅛ - 7⅛	6⅞ - 6⅝
Discount Market deps	7½ - 7⅛	7½ - 7⅛	-	7⅛ -	-	-

UK clearing bank base lending rate 7½ per cent from Jun 4, 1998

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	4	6.5	6.5	6.25	6.25

Certs of Tax dep. under £100,000 is 4pc. Deposits withdrawn for cash 2pc.
Ave. tender rate of discount on Sep 4, 7.0964pc. ECGD fixed rate Stg. Export Finance. Make up day Aug 28, 1998. Agreed rate for period Sep 23, 1998 to Oct 25, 1998, Scheme III 6.99pc. Reference rate for period Aug 1, 1998 to Aug 28, 1998, Schemes IV & V 7.740pc. Finance House Base Rate 8pc from Sep 1, 1998.

BANK OF ENGLAND TREASURY BILL TENDER

	Sep 18	Sep 11		Sep 18	Sep 11
Bills on offer	£100m	£100m	Top accepted rate	6.9390%	6.9992%
Total of applications	£898m	£719m	Ave. rate of discount	6.9390%	6.9891%
Total allocated	£100m	£100m	Average yield	7.0612%	7.1130%
Min. accepted bid	£98.270	£98.255	Offer at next tender	£100m	£100m
Allotment at min. level	97%	100%	Min. accept. bid 28 days	-	-

BASE LENDING RATES

	%		%		%
Adam & Company	7.50	Exeter Trust Limited	8.50	Smith & Williamson	7.50
Allied Irish Bank (GB)	7.50	Financial & Gen Bank	8.00	Sun Bank	7.50
●Henry Ansbacher	7.50	●Robert Fleming & Co	7.50	TSB	7.50
Banco Bilbao Vizcaya	7.50	Habib Bank AG Zurich	7.50	United Bank of Kuwait	7.50
Bank of Cyprus	7.50	Heritable & Gen Inv Bk	7.50	Unity Trust Bank Plc	7.50
Bank of Ireland	7.25	C. Hoare & Co	7.50	Whiteaway Laidlaw	7.50
Bank of India	7.50	●Hambros Bank	7.50	Yorkshire Bank	7.50
Bank of Scotland	7.50	Hongkong & Shanghai	7.50		
Barclays Bank	7.50	Investec Bank (UK) Ltd	7.50	● Members of London Investment Banking Association	
Brit Bk of Mid East	7.50	Julian Hodge Bank	7.50		
●Brown Shipley & Co Ltd	7.50	●Leopold Joseph & Sons	7.50		
Citibank NA	7.50	Lloyds Bank	7.50		
Clydesdale Bank	7.50	Midland Bank	7.50		
The Co-operative Bank	7.50	NatWestminster	7.50		
Coutts & Co	7.50	●Rea Brothers	7.50		
Cyprus Popular Bank	7.50	Royal Bk of Scotland	7.50		
Duncan Lawrie	7.50	Scottish Widows Bank	7.50		
		●Singer & Friedlander	7.50		

UK GILTS PRICES

	Notes	Price £	Wk % +/-	Amnt £m	Interest due	Last xd	City line
Shorts (Lives up to Five Years)							
Treas 15½pc '98		100⅛	-.2	935	Mr30 Se30	23.3	1308
Exch 12pc 1998		100⅞	-.1	3,909	My20 Nv20	11.5	1259
Treas 6¾pc 1999		100⅞	-.1	1,900	Jy15 Ja15	6.7	1347
Treas Flg Rate 1999		100⅛	—	5,700	MrJnSeDe	7.9	4945
Exch 12¼pc 1999		102⅞xd	-.1	3,050	Se26 Mr26	17.8	1264
Treas 10½pc 1999		102⅞	—	1,252	Nv19 My19	11.5	1288
Treas 6pc 1999		99⅞	—	6,050	Fe10 Au10	3.8	3635
Conv 10¼pc 1999		104⅛	—	1,738	My22 Nv22	18.5	1242

EURO PRICES

EQUITIES

Focus turns to German polls

EUROPEAN OVERVIEW

By Martin Dickson, Financial Editor

European equities will remain battered this week by mounting concern over a global economic slowdown and by a political calendar that will impinge heavily on the financial markets.

Tuesday's meeting of President Bill Clinton of the US and Japan's prime minister Keizo Obuchi may throw further light on the steps Tokyo, pressed by America, is prepared to take to revive its economy and rescue the banking sector.

At home, European attention will be focused on the last week of campaigning in Germany's closely fought federal elections. Voters go to the polls on Sunday.

Markets may also be more nervous about the outlook for European corporate profits: last week delivered several blows to the widespread belief that "fortress Europe" would maintain growth despite global economic upheaval, with both Royal Dutch/Shell and Alcatel delivering gloomy trading statements.

Nevertheless, Hans Tietmeyer, the Bundesbank president, said on Friday there was currently no sign of a global recession, even less worldwide deflation, and Japan held the key to the development of the world economy.

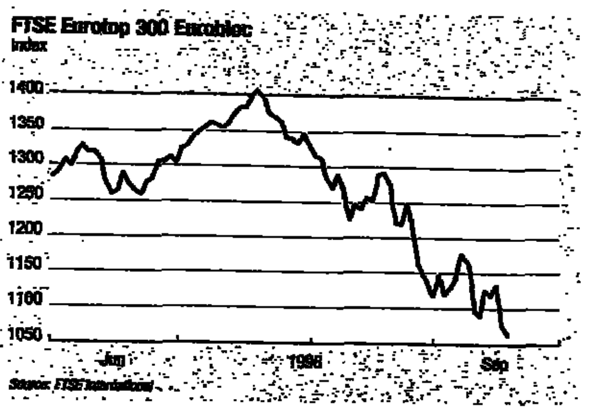
He also warned countries participating in European economic and monetary union that they should start taking steps towards interest rate convergence sooner rather than later. "The longer the convergence of central bank rates is delayed, the larger the steps taken at the end of the year or the start of next year will be."

The FT's euro-zone currency convergence table shows that forward exchange rates are still implying large forward interest rate differentials for "in" countries at the end of the year, with German short rates at around 3.48, compared to around 4.87 for Italy and 5.31 for Ireland. But many analysts expect central banks outside the core D-Mark currency bloc to leave convergence until the last minute.

In trading on Friday, the FTSE Eurotop 300 index of leading European shares closed 13.73 points lower on the day at 1021.87, while the narrower FTSE Eurotop 100 index closed at 2344.37, down 32.11 points

FTSE Eurotop 300 Eurobloc

Index



Source: FTSE International

■ THREE MONTH EURO FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Nov		95.885	-0.030			0	0
Mar	96.490	96.455	-0.050	96.490	96.480	122	5197
Jun	96.460	96.420	-0.060	96.460	96.440	160	1976
Sep	96.430	96.390	-0.070	96.430	96.425	44	1333

■ THREE MONTH EURO OPTIONS (LIFFE) Ecu1m points of 100%

Strike Price	CALLS Oct	CALLS Nov	CALLS Dec	CALLS Mar	PUTS Oct	PUTS Nov	PUTS Dec	PUTS Mar
96375	0.050		0.105		0.090		0.145	
96500	0.015	0.020	0.060	0.145	0.180	0.185	0.225	0.190

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 0 Puts 0

■ FTSE EUROTOP 100 INDEX FUTURES (LIFFE) Ecu20 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	2358.0	2360.5	-19.5	2360.0	2358.0	380	2284
Dec	2366.0	2363.0	-41.0	2364.0	2364.0	495	4009
Mar		2371.5	-41.0			0	117

■ EURO STYLE FTSE EUROTOP 100 INDEX OPTION (AEX) Ecu10 per index point

	2350 C	2350 P	2375 C	2375 P	2400 C	2400 P	2425 C	2425 P	2450 C	2450 P	2475 C	2475 P	2500 C	2500 P	2525 C	2525 P
Sep	57	18	40	24	28	34	15	51	8	60	4	91	3	116	3	141
Oct	105	137	116	122	125	109	137	96	150	84	163	73	178	63	192	54

Est vol total 0. Prev day's open interest total 7,482. Premiums shown are based on settlement prices.

OTHER INDICES

	Sep 18	Sep 17	Sep 16	1998 High	1998 Low	Since compilation High	Since compilation Low
DJ Stoxx 50	2821.30	2864.21	2996.97	3670.82	2574.51	3670.82	2821.3
DJ Euro Stx 50	2781.69	2836.22	2871.83	3658.48	2466.81	3658.48	2781.69
MSCI Europe	(u)	1037.94	1079.17	1315.55	960.50	1315.55	510.78

Source: Extel/part of FT Information. *Subject to revision next day. (u) unavailable.

FTSE Actuaries Share Indices — European series

Produced in conjunction with the Faculty and Institute of Actuaries

September 18

National & Regional Markets	Ecu index	Day's %	change points	Yield gross %	xd adj ytd	Total retn (Ecu)
FTSE Eurotop 300	1021.37	-1.33	-13.73	2.79	22.78	1049.00
FTSE Eurotop 100	2344.37	-1.35	-32.11	2.75	34.08	838.26
FTSE Ebloc 100	842.88	-1.32	-11.27	2.39	14.09	854.86
FTSE Eurotop 300 Regions						
Eurobloc	1064.43	-1.21	-13.05	2.43	20.54	1088.12
UK	954.49	-1.55	-15.01	3.39	29.32	996.08
Europe Ex-Eurobloc	987.59	-1.45	-14.50	3.17	24.00	1018.60
Europe Ex-UK	1060.22	-1.22	-13.05	2.49	19.11	1079.21
FTSE Eurotop Industry Sectors						
RESOURCES	821.05	-2.83	-23.94	3.55	25.41	854.75
Extractive Industries	717.94	-0.73	-5.30	4.89	6.84	725.03
Oil, Integrated	794.28	-2.87	-23.49	3.47	18.25	810.11
Oil, Exploration & Prod	576.13	-8.90	-56.29	5.86	11.69	588.17
GENERAL INDUSTRIES	922.52	-1.47	-13.79	3.06	19.59	940.30
Construction	870.52	-3.04	-27.30	3.24	11.06	880.65
Building Matls & Merchs	774.42	-2.32	-18.42	3.37	8.05	780.19
Chemicals	792.66	-0.60	-4.75	3.05	16.87	806.07
Diversified Industrials	898.29	-0.89	-8.05	2.44	17.48	911.67
Electronic & Elect Equip	725.75	-1.41	-10.40	2.32	4.89	729.26
Engineering	777.46	-3.57	-28.77	4.32	9.57	784.72
Paper, Pckg & Printing	696.02	-1.35	-9.55	3.36	1.21	696.89
CONSUMER GOODS	1047.13	-1.64	-17.48	1.77	15.57	1072.98
Automobiles	825.42	-0.19	-1.59	3.17	10.25	833.08
Alcoholic Beverages	773.55	-4.88	-39.69	2.83	6.49	778.85
Food Producers	831.75	-1.23	-10.39	1.94	9.79	839.72
Household Goods & Texts	885.91	-4.85	-45.16	2.20	7.01	891.70
Healthcare	804.63	+3.27	+25.49	1.48	9.52	812.81
Pharmaceuticals	955.71	-1.03	-9.97	1.38	4.81	960.43
Tobacco	1110.65	+0.28	+3.08	4.34	1.81	1112.74
SERVICES	1067.35	-1.65	-17.95	2.47	21.18	1085.29
Distribution	737.73	+2.31	+16.65	3.01	11.37	746.02
Leisure & Hotels	644.76	-5.42	-36.92	3.89	12.27	653.19
Media	938.22	-0.69	-6.50	2.48	9.63	947.16
Retailers, Food	975.86	-0.57	-5.62	3.08	11.37	987.17
Retailers, General	942.87	-1.33	-12.75	3.65	16.53	958.24
Telecommunications	975.78	-1.61	-15.94	2.01	13.02	987.64
Breweries, Pubs & Rests	684.28	-1.61	-11.23	3.86	14.20	694.69
Support Services	848.10	-4.50	-39.85	1.77	6.84	852.02
Transport	883.77	-0.98	-8.75	2.77	15.00	896.92
Information Technology	890.69	-5.55	-52.29	0.48	2.23	892.72
UTILITIES	1369.13	+0.27	+3.74	3.22	53.32	1443.23
Electricity	1030.10	+0.23	+2.39	3.40	26.23	1057.61
Gas Distribution	1059.12	-0.32	-3.37	1.72	84.81	1156.65
Water	1080.92	+1.49	+15.87	4.73	38.72	1122.20
FINANCIALS	1053.92	-0.58	-6.11	3.21	26.45	1081.19
Banks, Retail	723.21	-0.77	-5.62	4.24	12.59	732.53
Insurance	828.11	-0.14	-1.17	1.67	11.45	837.78
Life Insurance	953.50	-0.65	-6.26	1.79	8.10	961.69
Other Financial	749.99	-0.10	-0.72	2.72	14.05	760.59
Investment Companies	816.40	-5.17	-44.53	3.14	20.66	831.66
Property	753.03	-0.04	-0.29	3.54	16.01	766.87

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CURRENCIES & MONEY

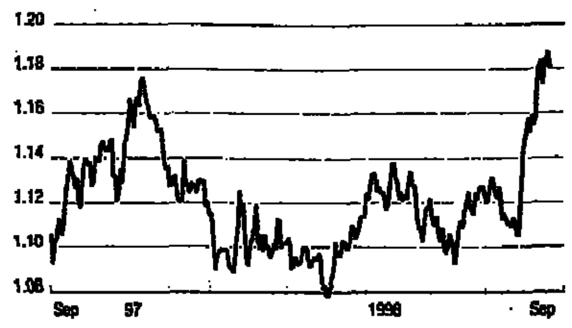
FT SYNTHETIC EURO RATES

Sep 18	Currency code	Closing mid point	Change on day	Change on day%	Change on week	Change week %
Europe						
Austria	ATS	14.057520	+0.0014	+0.01	+0.0041	+0.03
Belgium	BEF	41.220588	-0.0031	-0.01	-0.0079	-0.02
Czech Republic	CZK	36.848528	+0.0642	+0.18	+0.8706	+2.43
Denmark	DKK	7.617659	-0.0026	-0.03	-0.0074	-0.10
Finland	FIM	6.065293	+0.0033	+0.06	+0.0035	+0.06
France	FRF	6.698995	-0.0017	-0.03	-0.0038	-0.06
Germany	DEM	1.997840	+0.0002	+0.01	+0.0006	+0.03
Greece	GRD	343.382849	+0.0703	+0.02	-0.8111	-0.24
Hungary	HUF	259.595214	-0.4263	-0.16	+0.2980	+0.11
Ireland	IEP	0.798548	-0.0009	-0.11	+0.0000	+0.00
Italy	ITL	1974.330320	-0.3999	-0.02	+0.4752	+0.02
Luxembourg	LUF	41.220588	-0.0031	-0.01	-0.0079	-0.02
Netherlands	NLG	2.253195	+0.0002	+0.01	-0.0001	+0.00
Norway	NOK	8.856983	-0.0182	-0.20	-0.0723	-0.81
Poland	PLN	4.246075	-0.0165	-0.39	-0.0495	-1.15
Portugal	PTE	204.756478	+0.0049	+0.00	-0.0251	-0.01
Romania	ROL	10718.533886	-59.7437	-0.55	+9.0679	+0.08
Russia	RUB	22.441126	+4.7942	+27.17	+8.7141	+63.48
Slovakia	SKK	41.032792	+0.0801	+0.20	-0.1495	-0.36
Spain	ESP	169.772128	+0.1004	+0.06	-0.0410	-0.02
Sweden	SEK	9.261876	-0.0218	-0.24	-0.0199	-0.21
Switzerland	CHF	1.643390	+0.0023	+0.14	+0.0015	+0.09
United Kingdom	GBP	0.700966	-0.0031	-0.44	-0.0018	-0.25
ECU	ECU	1.015898	-0.0005	-0.05	-0.0005	-0.05
Americas						
Brazil	BRL	1.394850	-0.0076	-0.54	-0.0001	-0.00
Canada	CAD	1.805320	-0.0049	-0.27	+0.0147	+0.82
Mexico	MXN	12.008892	-0.2875	-2.34	-0.4756	-3.81
United States	USD	1.181106	-0.0072	-0.61	-0.0023	-0.19
Pacific/Middle East/Africa						
Australia	AUD	2.002092	+0.0007	+0.03	+0.0364	+1.85
Hong Kong	HKD	9.150026	-0.0571	-0.62	-0.0207	-0.23
Japan	JPY	156.880360	-0.2840	-0.18	+1.8061	+1.16
Singapore	SGD	2.034455	-0.0125	-0.61	+0.0008	+0.04
South Africa	ZAR	7.254042	-0.0563	-0.77	-0.1586	-2.14

Source: FTSE International Ltd This table gives a theoretic, synthetic value for the Euro against various other currencies, calculated by applying GDP weights to Euro "in" currencies. The Euro will not exist until January 1 and the table should not be used as a precise guide to its value. It is designed to show broad currency valuation trends. Currency weightings as follows: DEM 0.3364, FRF 0.2217, ITL 0.1823, NLG 0.0577, BEF 0.0386, ESP 0.0848, IEP 0.0116, PTE 0.0156, ATS 0.0328, FIM 0.0187.

Synthetic Euro against the dollar

$ per euro



Source: FTSE International

EUROZONE CURRENCY CONVERGENCE

Bilateral conversion rates against the D-Mark

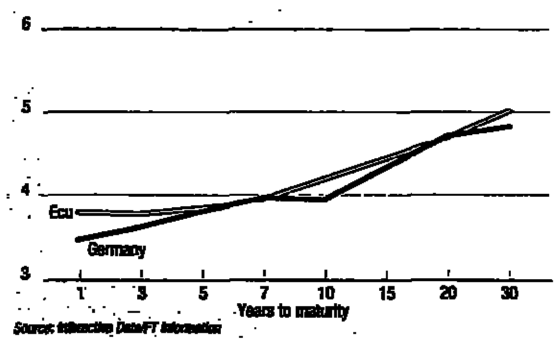
Sep 18	Fixed rate	Market rate	Diff fxd v mkt %	Week ago %	Forward rate	Forward int rate	Diff int rate v DEM
Austria	7.03552	7.0364	+0.01	+0.01	7.0377	3.55	+0.07
Belgium	20.6255	20.6326	+0.03	+0.08	20.6347	3.52	+0.04
France	3.35386	3.3531	-0.02	+0.06	3.3536	3.53	+0.05
Finland	3.04001	3.0469	+0.19	+0.17	3.0465	3.55	+0.07
Ireland	0.402676	0.3997	-0.74	-0.71	0.4019	5.42	+1.94
Italy	990.002	988.2323	-0.18	-0.18	992.0868	4.86	+1.38
Luxembourg	20.6255	20.6326	+0.03	+0.08	20.6347	3.52	+0.04
Netherlands	1.12674	1.1278	+0.09	+0.13	1.1274	3.35	-0.13
Portugal	102.505	102.4889	-0.02	+0.02	102.6729	4.11	+0.63
Spain	85.0722	84.9778	-0.11	-0.06	85.1635	4.25	+0.77
Germany	1		+0.00	+0.00		3.48	+0.00

Source: The WM Company. Fixed rates are bilateral rates agreed by EU May 2/3; forward rates are exchange rates to 31/12/98 interpolated from market quotes; forward interest rates are those implied by these forward exchange rates; Diff int rates v DEM are differences between implied forward interest rates and the DEM forward interest rate for 31/12/98. DEM forward interest rate for 31/12/98 is calculated by interpolation between published BBA market fixings.

BONDS

Bond yield curve

Per cent (September 18 1998)



Source: Interactive Data/FT Information

EUROZONE CORPORATE BONDS

Sep 18	Red date	Coupon	S & P Rating	Bid price	Bid yld	Day's chge yld	Mth's chge yld	Spread v Ecu
Sovereign Fungible Issues								
Belgium (Kingdom of)	03/08	5.750	N/A	111.330	4.27	+0.02	-0.43	+0.07
France (Rep of)	04/08	5.250	N/A	108.880	4.11	+0.00	-0.46	-0.09
Italy (Rep of)	05/08	5.000	AA	104.590	4.41	+0.01	-0.32	+0.21
Portugal (Rep of)	06/08	5.375	AA-	107.860	4.37	+0.03	-0.37	+0.17
Euro issues								
Abbey Natl Treas Srv	02/03	4.875	AA	103.208	4.06	+0.08	-0.27	+0.21
Gen Electric Cap Crp	10/04	5.500	AAA	107.790	4.02	+0.02	-0.39	+0.13
Oest Kontrollbank	04/08	5.250	AAA	106.500	4.40	+0.00	-0.31	+0.20
Cred Local de France	04/08	5.250	AA+	104.910	4.60	+0.05	-0.27	+0.40
Ecu issues								
Bayer Hypo & Wch Bk	07/01	5.000	AA-	102.554	4.01	+0.08	-0.20	+0.23
Cred Foncier France	03/04	8.375	A	118.207	4.54	+0.04	-0.39	+0.65
Euro Inv Bank	04/04	5.250	AAA	106.280	3.96	+0.03	-0.39	+0.07
ABN Amro Hldg. NV	04/07	6.375	AA-	110.855	4.80	-0.03	-0.17	+0.68

Source: Interactive Data/FT Information. London closing. Fungible bonds issued in tranches by Euro "in" sovereigns and fungible into one big Euro issue 1/1/99; Euro issues are issued in the new currency; Ecu bonds are issued in Ecus but convert to Euros 1/1/99

GOVERNMENT BOND SPREADS vs ECU

Sep 18	2 yrs	5 yrs	7 yrs	10 yrs	20 yrs	30 yrs
"INs"						
Austria	-0.01	+0.13	+0.23	+0.05	-0.13	+0.18
Belgium	-0.08	+0.08	+0.12	+0.10	+0.12	+0.06
Finland	-0.16	+0.11	+0.19	+0.19	-0.31	-0.63
France	-0.11	-0.07	-0.08	-0.07	-0.05	-0.14
Germany	-0.18	-0.04	+0.02	-0.25	+0.02	-0.19
Ireland	+0.45	-0.05	+0.08	+0.17	+0.24	+0.50
Italy	+0.28	+0.30	+0.32	+0.25	+0.18	+0.33
Luxembourg	-0.08	+0.08	+0.12	+0.10	+0.12	+0.06
Netherlands	-0.07	+0.04	+0.03	-0.07	+0.04	-0.14
Portugal	-0.07	+0.19	+0.24	+0.20	+0.43	+0.39
Spain	-0.09	+0.13	+0.24	+0.29	+0.31	+0.34
"OUTs"						
Denmark	+1.11	+0.82	+0.76	+0.53	+0.37	+0.68
Greece	+8.07	+5.65	+4.84	+3.98	+3.01	+2.69
Sweden	+0.58	+0.84	+0.67	+0.54	+0.55	+0.23
UK	+2.21	+1.39	+1.22	+0.69	+0.27	-0.28

Source: Interactive Data/FT Information. Table takes common convention constant maturity treasury yield curves for each currency and compares to the constant maturity Ecu curve to calculate a spread.

EUROZONE CREDIT SPREADS vs ECU

Sep 18	S & P rating	Red date	Coupn	Currency code	Spread	Spread wk ago	Spread mth ago
KFW	AAA	01/09	5.000	DEM	+0.11	-0.01	+0.06
France Telecom	AA+	11/06	6.250	FRF	+0.18	+0.12	+0.17
Halifax	AA	07/07	5.625	DEM	+0.34	+0.33	+0.16
Ing Bank NV	AA-	01/08	5.500	NLG	+0.14	+0.19	+0.19
Bayer Hypo W Bk	AA-	02/02	6.750	ITL	+0.32	+0.30	+0.33
Cred Foncier	A	02/03	7.250	DEM	+0.95	+0.79	+0.30
Thomson-Brandt Int	A-	03/04	6.375	FRF	+0.40	+0.41	+0.43
Generale des Eaux	BBB+	03/04	6.250	FRF	+0.34	+0.35	+0.34
Bank of China	BBB	07/99	7.125	DEM	+2.45	+3.52	+1.63
Natl Bk of Hungary	BBB-	06/01	9.000	ATS	+1.47	+2.34	+0.92
Korea Dev Bank	BB+	11/02	5.625	FRF	+8.45	+10.86	+6.48
Argentina	BB	04/08	8.125	XEU	+7.93	+8.87	+3.73

Source: Interactive Data/FT Information. Table shows yield spreads to the Ecu curve for issues of a broadly representative credit in each rating band denominated in Euro "in" currencies.

FTSE EUROTOP 300

Name	Price (Ecu)	Chge + or -	Mkt cap Ecu(bn)	Vol (m)	Yld
ALCOHOLIC BEVERAGES					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
AUTOMOBILES					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
BANKS RETAIL					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
BREWERIES, PUBS & RESTAURANTS					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
BUILDING MATERIALS & MERCHANTS					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CHEMICALS					
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CONSTRUCTION					
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DISTRIBUTORS					
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DIVERSIFIED INDUSTRIALS					
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ELECTRICITY					
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ELECTRONIC & ELECTRICAL EQPT.					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ENGINEERING					
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EXTRACTIVE INDUSTRIES					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FOOD PRODUCERS					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
GAS DISTRIBUTION					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
HEALTH CARE					
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HOUSEHOLD GOODS & TEXTILES					
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INFORMATION TECHNOLOGY					
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INSURANCE					
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INVESTMENT COMPANIES					
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LEISURE & HOTELS					
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LIFE INSURANCE					
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MEDIA					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
OIL, EXPLORATION & PRODUCTION					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
OIL, INTEGRATED					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
OTHER FINANCIAL					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
PAPER, PACKAGING & PRINTING					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
PHARMACEUTICALS					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
PROPERTY					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
RETAILERS, FOOD					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
RETAILERS, GENERAL					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SUPPORT SERVICES					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
TELECOMMUNICATIONS					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
TOBACCO					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
TRANSPORT					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
WATER					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Notes

Price data and capital capitalisation supplied by FTSE International. Market capitalisation figures are based on shares used in index calculations. Shares are not counted where foreign ownership restrictions apply. [illegible] Prices of stocks may move on public holidays due to currency fluctuations.

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

BANKS, RETAIL

BREWERIES, PUBS & REST

BUILDING MATS. & MERCHANTS

CHEMICALS

CONSTRUCTION

CONSTRUCTION - Continued

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ENGINEERING

ENGINEERING - Continued

ENGINEERING - Continued

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

FOOD PRODUCERS

FOOD PRODUCERS - Continued

GAS DISTRIBUTION

HEALTH CARE

HOUSEHOLD GOODS & TEXT

INSURANCE

INSURANCE - Continued

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Continued

INV TRUSTS SPLIT CAPITAL

هكذا من الاجل

LONDON SHARE SERVICE

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LEISURE & HOTELS

LIFE ASSURANCE

MEDIA

MEDIA - Continued

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

PAPER, PACKAGING & PRINTING

PHARMACEUTICALS

PROPERTY

PROPERTY - Continued

RETAILERS, FOOD

RETAILERS, GENERAL

RETAILERS, GENERAL - Continued

SUPPORT SERVICES

SUPPORT SERVICES - Continued

TELECOMMUNICATIONS

TOBACCO

TRANSPORT

TRANSPORT - Continued

WATER

AIM

AIM - Continued

AMERICANS

CANADIANS

SOUTH AFRICANS

	Notes	Price	W'k% ch'nge	Div net	Div cov.	Mkt cap£m	Last xd	City line
Anglo Am Ind R		27¼	-5.1	Q585c	2.7	861.6	8'97	–
Barlow R	♣	12¼	0.6	Q124c	2.6	441.1	8.12	–
Investec Group		2143	15.7	–	–	–	–	–
Investec Hldgs		214	12.0	–	–	–	–	–
SA Breweries R		27¼	-8.8	Q330c	2.0	2,137	1.6	–
Standard Bank R		22¾	1.9	Q434c	3.2	3,476	8'97	–
Tiger Oats	†	400	-13.0	Q158c	2.8	604.7	8.8	–
Tongaat-Hulett R		401	8.5	Q142c	2.6	389.3	8.12	–

TRADED INDEX SECURITIES

	Notes	Price	W'k% ch'nge	Div net	Div cov.	Mkt cap£m	Last xd	City line
FTSE 100 TRANS		5578	—	–	–	–	14.9	–

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service are delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise indicated. For FTSE index constituents and reserves, last trade prices at or prior to market close are shown, as these shares are now traded on the Stock Exchange Electronic Trading System ("SETS").

Net dividends are shown in pence unless otherwise indicated.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Dividend covers are calculated on a "net" basis.

Market capitalisations shown are calculated separately for each line of stock quoted.

- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ♦ Figures or report awaited
- ♥ Rule 2.1(a)(v) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- # Price at time of suspension
- , Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme

a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. g Assumed dividend. h Assumed dividend after scrip issue. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend excludes a special payment. t Indicated dividend: cover relates to previous dividend. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings.

z Dividend includes a special payment. Cover does not apply to special payment. F Dividend based on prospectus or other official estimates for 1998-99. G Assumed dividend after pending scrip and/or rights issue. H Dividend based on prospectus or other official estimates for 1999. K Dividend based on prospectus or other official estimates for 1998. L Estimated annualised dividend, cover based on latest annual earnings.

M Dividend based on prospectus or other official estimates for 1997-98. N Dividend is paid in whole or part as a FID (Foreign Income Dividend). Q Gross. R Forecast annualised dividend, cover based on prospectus or other official estimates. W Pro forma figures. Z Dividend total to date.

Abbreviations: , ex dividend; , ex scrip issue; , ex rights; , ex all; , ex capital distribution

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1495 a year for each security shown, subject to the Editor's discretion.

FT Share Service

The following changes have been made to the FT Share Information Service: Additions: Tribune IT Index (InTr). Deletions: Dyson (J&J) (BdMa), Utility Cable (Const), Eurotherm (EMEE), CBE Intl (Eng), Wyefield Gp (HousG), Topdanmark (Ins), Harlans Ansley (PP&P), Amer Port Svcs (Tran), SEA Multimedia (AIM).

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The FT web site

London share prices are available throughout the trading day with a 20 minute delay from our web site, http://www.ft.com, which also has the closing share prices printed on these pages.

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OFFSHORE AND OVERSEAS

BERMUDA (FSA RECOGNISED)

Fidelity Currency Funds Ltd

Jupiter Asset Management (Bermuda) Ltd

BERMUDA (REGULATED)(**)

Bermuda Intl Invest Mgmt Ltd

GUERNSEY (FSA RECOGNISED)

Dresdner RCM Global Investors (Guernsey) Ltd

Royal Bk of Canada O/S Fd Mgrs Ltd

GUERNSEY (REGULATED)(**)

ANZ Mngmt Co (Guernsey) Ltd

Apollo Investment Management Ltd

Collins Stewart Asset Management Ltd

Concord Mgr Investment (Guernsey) Ltd

Credit Suisse Asset Mgmt (Guernsey) Ltd

Dresdner RCM Global Investors (Guernsey) Ltd

Ely Place Fund Managers (CI) Ltd

Long-Invest Capital Ltd

Merrill Lynch Guernsey

Royal Bank of Canada Strategic Ratchet Fund

Schroder Investment Management Ltd

Stanford Associates (Guernsey) Ltd

Tudor Investment Management (Guernsey) Ltd

U.S. Global Investors (Guernsey) Ltd

IRELAND (FSA RECOGNISED)

ABN AMRO Global Liquidity Funds Plc (u)

Aberdeen Prolific International Fund Plc

FT Fund Managers (Ireland) Ltd (u)

Gulaness Flight Select Funds Plc

The Halal Mutual Investment Company Plc

Henderson Crosthwaite Investment Co

Morgan Grenfell Investment Funds Ltd (u)

Bank of Ireland Unit Managers Ltd - Contd.

Bordier Invest (Ireland) Ltd

Buchanan Asset Management (Ireland) Ltd

Calpine Fund

Cazenove International Fund Plc

Morgan Grenfell Investment Funds Ltd - Contd.

Chemical Ireland Fund Administrators Ltd

Citi Investment Fund (Ireland)

Citizens Investment Trust Mngt Company

IRELAND (REGULATED)(**)

HSBC Asset Management - Contd.

Sallem Investment Mngt (Ireland) Ltd

Singer & Friedlander Closed Funds Plc

Singer & Friedlander Total Asset Management

Skandia Select Fund Plc

Societe Generale Group

JERSEY (FSA RECOGNISED)

Prudential Fund Managers (Jersey) Ltd

Royal Bank of Scotland Fd Mgrs (Jersey) Ltd

Royal Bank of Scotland International Ltd

JERSEY (REGULATED)(**)

ISLE OF MAN (FSA RECOGNISED)

ISLE OF MAN (REGULATED)(**)

LUXEMBOURG (FSA RECOGNISED)

ABN AMRO Funds (u)

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Offshore Funds and Insurances

FT MANAGED FUNDS SERVICE

LUXEMBOURG (REGULATED)(**)

OFFSHORE INSURANCES

FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

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OTHER OFFSHORE FUNDS

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Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Sep 18 / Sch)

BELGIUM/LUXEMBOURG (Sep 18 / Frs.)

CZECH REP (Sep 18 / Koruna)

DENMARK (Sep 18 / Kr)

FINLAND (Sep 18 / Mks)

FRANCE (Sep 18 / Frs.)

GERMANY (Sep 18 / Dm.)

GREECE (Sep 18 / Drachmas)

ITALY (Sep 18 / Lire)

NETHERLANDS (Sep 18 / Fls.)

NORWAY (Sep 18 / Kroner)

POLAND (Sep 18 / Zloty)

PORTUGAL (Sep 18 / Escudo)

SPAIN (Sep 18 / Pta.)

SWEDEN (Sep 18 / Kronor)

SWITZERLAND (Sep 18 / Frs.)

TURKEY (Sep 18 / Tk Lira)

PACIFIC

JAPAN (Sep 18 / Yen)

AUSTRALIA (Sep 18 / AustS)

HONG KONG (Sep 18 / H.K.$)

INDONESIA (Sep 18 / Rupiah)

MALAYSIA (Sep 18 / MYR)

NEW ZEALAND (Sep 18 / NZ $)

SINGAPORE (Sep 18 / S$)

SOUTH KOREA (Sep 18 / Won)

TAIWAN (Sep 18 / TW $)

THAILAND (Sep 18 / Baht)

AMERICAS

CANADA

TORONTO (Sep 18 / Can $) 4 pm close

MONTREAL (Sep 18 / Can $) 4 pm close

MEXICO (Sep 18 / Peso) 12:30pm

AFRICA

SOUTH AFRICA (Sep 18 / Rand)

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by FTSE International Limited and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	FRIDAY SEPTEMBER 18 1998 US Dollar Index	%chg since 31/12/97	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg from 31/12/97	Gross Div. Yield	THURSDAY SEPTEMBER 17 1998 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (72)	173.46	-13.3	152.63	145.64	152.54	195.56	-4.3	3.83	174.84	153.58	146.16	152.79	195.85	238.24	163.86	227.57
Austria (22)	181.29	-4.1	159.52	152.21	159.42	159.33	-9.8	2.12	181.87	159.76	152.04	158.94	158.85	253.73	181.29	200.21
Belgium (22)	352.90	38.7	310.52	296.30	310.34	303.73	30.6	2.26	361.55	317.60	302.26	315.97	309.30	398.92	234.33	245.06
Brazil (26)	137.35	-42.4	120.85	115.32	120.78	298.52	-39.1	3.94	132.77	116.63	110.99	116.03	288.37	308.59	102.68	278.44
Canada (119)	177.38	-16.5	156.08	148.93	155.99	186.33	-10.8	2.04	176.35	154.91	147.43	154.12	184.53	248.78	167.18	223.33
Denmark (34)	445.83	-0.4	392.29	374.32	392.06	391.06	-6.2	1.66	459.77	403.87	384.36	401.80	400.99	537.33	389.69	390.28
Finland (28)	394.49	41.6	347.12	331.22	346.91	426.55	34.0	2.15	400.56	351.95	334.95	350.15	430.35	508.46	267.59	307.42
France (78)	282.54	18.1	248.61	237.22	248.46	251.38	11.3	2.50	289.26	254.09	241.82	252.79	255.85	345.18	217.58	238.43
Germany (55)	253.52	10.5	223.07	212.85	222.94	222.94	4.0	1.43	259.27	227.75	216.75	226.58	226.58	325.61	204.89	223.36
Greece (37)	261.59	0.0	230.18	219.63	230.04	545.18	0.0	1.73	265.00	232.78	221.54	231.59	548.61	333.20	243.18	–
Hong Kong, China (66)	225.75	-36.8	198.64	189.54	198.52	224.53	-35.8	8.73	230.23	202.24	192.47	201.20	229.01	518.79	195.64	509.97
Indonesia (26)	20.96	-68.3	18.44	17.59	18.43	142.69	-35.9	4.58	22.45	19.72	18.77	19.62	153.02	156.30	20.96	148.52
Ireland (16)	422.69	5.3	371.93	354.89	371.71	402.68	1.4	2.36	423.29	371.83	353.87	369.93	401.22	560.44	359.60	370.33
Italy (54)	141.36	20.1	124.38	118.68	124.31	176.47	13.8	1.66	142.72	125.37	119.31	124.73	177.12	184.49	103.30	107.59
Japan (480)	83.49	-12.4	73.46	70.10	73.42	70.10	-10.5	1.12	83.55	73.40	69.85	73.02	69.85	123.57	78.40	117.67
Malaysia (106)	112.16	-31.8	98.69	94.17	98.63	164.14	-33.4	3.77	110.06	96.69	92.02	96.20	161.10	319.52	73.52	313.40
Mexico (29)	995.29	-44.8	875.77	835.65	875.25	11064.27	-30.4	2.46	950.23	834.71	794.39	830.43	10750.33	1901.98	787.15	1788.98
Netherlands (27)	432.63	5.5	380.67	363.23	380.44	376.69	-0.7	2.47	449.86	395.17	376.08	393.14	389.27	562.38	390.20	410.92
New Zealand (14)	48.40	-36.6	42.59	40.64	42.57	50.88	-27.2	6.04	49.81	43.75	41.64	43.53	51.97	95.87	48.40	90.45
Norway (37)	210.20	-34.2	184.96	176.49	184.85	213.95	-33.1	2.94	214.65	188.55	179.44	187.59	217.59	374.64	208.82	342.97
Philippines (22)	47.11	-40.6	41.46	39.56	41.43	103.08	-34.6	1.58	51.44	45.19	43.01	44.96	112.16	106.98	42.48	98.40
Portugal (18)	243.31	0.0	214.09	204.29	213.96	288.70	0.0	1.13	246.82	216.81	206.34	215.70	291.08	289.39	235.61	–
Singapore (41)	119.20	-47.1	104.88	100.08	104.82	94.62	-45.9	3.20	123.28	108.29	103.06	107.74	97.86	305.58	102.45	305.68
South Africa (38)	169.31	-38.2	148.98	142.15	148.89	227.31	-19.5	3.88	169.66	149.03	141.83	148.27	228.15	349.20	151.55	330.00
Spain (31)	304.99	12.2	268.36	256.07	268.20	332.11	5.8	2.30	308.16	270.69	257.62	269.31	333.32	417.73	236.28	263.86
Sweden (49)	442.20	-5.8	389.10	371.27	388.87	513.34	-6.9	2.30	449.66	394.93	375.91	392.97	520.04	628.19	439.98	515.01
Switzerland (28)	363.70	6.7	320.02	305.36	319.83	313.73	1.8	1.33	370.30	325.28	309.57	323.61	317.04	439.48	301.11	311.89
Thailand (38)	9.68	-49.9	8.51	8.12	8.51	15.27	-57.6	6.17	9.54	8.38	7.97	8.33	15.05	45.52	8.15	38.85
United Kingdom (210)	331.90	0.0	292.05	278.67	291.87	292.05	-2.3	3.35	337.60	296.56	282.23	295.04	296.56	401.84	314.38	320.02
USA (622)	416.76	5.1	366.71	349.91	366.50	416.76	5.1	1.57	415.82	365.27	347.63	363.40	415.82	486.88	358.31	385.50
Americas (796)	371.51	3.2	326.90	311.92	326.70	316.03	3.6	1.61	370.46	325.43	309.71	323.76	314.13	437.03	326.79	352.30
Europe (745)	309.65	7.1	272.46	259.98	272.30	280.64	2.4	2.41	315.87	277.47	264.07	276.05	284.94	386.24	267.44	280.62
Eurobloc (351)	89.07	0.0	78.37	74.78	78.32	84.75	0.0	2.03	91.06	79.99	76.13	79.58	86.12	113.28	89.07	–
Nordic (148)	408.97	-0.9	359.86	343.37	359.64	407.45	-3.4	2.20	416.94	366.25	348.56	364.38	413.43	555.97	388.51	435.85
Pacific Basin (869)	88.51	-16.4	77.88	74.31	77.83	75.59	-14.2	1.89	88.81	78.01	74.24	77.61	75.54	138.87	83.29	133.94
Euro-Pacific (1608)	180.58	-0.9	158.90	151.62	158.80	152.61	-3.4	2.26	183.37	161.08	153.30	160.25	154.27	220.19	172.03	195.15
North America (741)	400.72	4.2	352.60	336.45	352.39	401.65	4.5	1.59	399.77	351.16	334.20	349.37	400.64	469.20	349.06	375.46
Europe Ex. UK (536)	288.24	11.0	253.62	242.00	253.47	266.64	5.2	1.94	294.45	258.65	246.16	257.33	270.71	366.32	236.86	252.98
Europe Ex. Eurobloc (395)	85.05	0.0	74.84	71.41	74.79	83.24	0.0	2.79	86.55	76.03	72.36	75.64	84.44	103.93	85.05	–
Europe Ex. UK Ex. Eurobloc (185)	86.09	0.0	75.76	72.29	75.71	82.55	0.0	1.64	87.71	77.05	73.32	76.65	83.56	108.21	86.09	–
Pacific Ex. JAPAN (383)	140.83	-29.7	123.92	118.24	123.85	148.47	-26.1	4.93	142.75	125.39	119.34	124.75	151.04	277.07	128.26	274.07
World Ex. Eurobloc (2093)	87.42	0.0	76.92	73.40	76.88	87.51	0.0	1.89	87.59	76.94	73.23	76.55	87.58	103.16	83.83	–
World Ex. US (1822)	180.44	-3.1	158.77	151.50	158.68	156.98	-4.7	2.28	182.91	160.68	152.91	159.85	158.45	221.91	175.30	199.73
World Ex. UK (2234)	249.50	1.2	219.54	209.48	219.41	226.14	0.6	1.74	250.47	220.02	209.40	218.90	226.55	298.02	234.24	253.47
World Ex. Japan (1964)	342.57	2.8	301.43	287.63	301.26	333.11	1.7	1.99	344.57	302.69	293.06	301.13	334.45	411.23	309.33	330.78
The World Index (2444)	256.53	1.1	225.73	215.39	225.69	232.19	0.2	1.91	257.90	226.54	215.60	225.38	232.98	305.56	241.30	259.17

 WITH EFFECT FROM 1/10/98: Malaysia will be deleted from The World Index under Ground Rule 2.1.1. CONSTITUENT CHANGES DURING THE WEEK ENDING 18/9/98: Deletion. MCI Communications (USA). Name change: Attica Enterprises to Attica Enterprises SA Holdings. Greece

Emerging markets: IFC investable indices

Dollar terms

Sept 17 Market		Day's chg %	% Chg since 31/12/97
Latin America			
Argentina	655.19	-3.9	-41.3
Brazil	289.77	-4.3	-44.1
Chile	363.53	-1.5	-43.4
Colombia[1]	315.52	-2.5	-61.8
Mexico	409.07	-3.1	-48.1
Peru[2]	131.16	-4.0	-40.8
Venezuela[3]	275.83	-0.5	-69.9
East Asia			
China[4]	28.37	-3.0	-48.7
India[7]	65.93	-0.5	-20.9
Indonesia[6]	10.97	-1.6	-67.4
Korea[5]	23.74	-1.7	-1.2
Malaysia	82.29	-2.2	-31.7
Pakistan[8]	105.80	-2.2	-57.4
Philippines	78.41	+12.3	-32.2
Sri Lanka[10]	63.15	-1.4	-45.7
Taiwan, China[9]	108.80	+0.3	-22.9
Thailand	34.89	+0.2	-25.8
Europe			
Czech Rep	42.27	-5.2	-22.8
Greece	477.95	-1.3	+47.5
Hungary[11]	193.43	-4.9	-38.5
Poland[12]	498.32	-2.3	-16.5
Portugal	274.05	-1.9	+29.8
Russia	16.82	-14.8	-88.8
Slovakia	57.03	+1.3	-42.5
Turkey[14]	121.85	-7.8	-61.0
Mideast/Africa			
Egypt	69.81	-0.3	-25.0
Israel	109.13	-2.4	-10.3
Jordan	225.91		+7.4
Morocco	183.83	+0.7	+41.0
S Africa[13]	109.18	-3.9	-39.3
Zimbabwe[15]	111.19	-7.8	-55.8
Regional			
Composite	155.40	-2.5	-36.8
Latin America	364.39	-3.3	-46.2
Asia	76.54	-0.3	-29.0
EMEA	100.81	-3.3	-31.7
Europe	124.62	-3.6	-33.9
Eastn Europe	45.89	-6.4	-67.3
ME & Africa	50.46	-2.9	-29.5

Base date: Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 5 1990; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; (7)Nov 6 1992; (8)Sep 28 1990; (9)Mar 1 1991; (10)Dec 31 1992; (11)Dec 31 1993; (12)Dec 31 1992; (13)Dec 31 1992; (14)Dec 31 1992; (15)Aug 2 1993; (16) July 2 1993

Latest indices were unavailable for this edition

4 pm close September 18

NEW YORK STOCK EXCHANGE PRICES

- A -

1998 High	Low	Stock	Div	Yld %	P/E	Vol 100s	High	Low	Close Quote	Ch'ge Prev. Close
32⅞	18	AAR	0.34	1.7	16	2955	19⅞	19¼	19⅝	-⅛
44⅞	28¾	AMP	1.08	2.6	22	25481	41⅛	39⅞	40⅞	-¼
89⅞	48⅞	AMR			8	11329	63⅞	61⅞	62⅞	
25⅞	13⅞	ASA	0.60	4.3	19	585	19⅞	19¼	19⅞	
45¼	32½	AbbtL	0.60	1.4	30	27003	43⅞	42¼	43⅞	
10⅞	7⅞	Abtibi x	0.40	4.1	5	187	9⅞	9⅝	9⅞	
37	25	ABM Ind	0.48	1.8	19	257	27⅞	26¾	27⅞	+1⅛
25⅞	17⅞	Acpincale			7	273	19⅞	18⅞	19	
43	26⅞	ACE Ltd	0.36	1.2	7	1491	31¼	30⅞	30⅞	
11½	7⅞	ACM Gvt In x	0.90	9.7	10	359	9⅞	9¼	9¼	
8⅞	7⅞	ACM GvOpp x	0.63	8.3		24	7⅞	7⅞	7⅞	
10⅞	7⅞	ACM MgI x	0.90	10.3		185	8¼	8⅞	8¼	
8⅞	3⅞	Acme Elect			19	69	4⅞	4⅞	4⅞	
10⅞	1⅞	Acme Mills				209	2¼	2⅞	2⅞	
29⅞	19⅞	ACNielsen			27	1818	23⅞	23	23⅞	
20⅞	14¼	Acuson			27	550	16	15⅞	16	
28⅞	22	Adams Expr	0.55	2.3	1	83	23⅞	23⅞	23⅞	
30⅞	12¼	AdvMic				18018	18⅞	17⅞	17⅞	
33¼	16½	Advest Grp	0.12	0.6	14	255	20	19	20	+1⅛
33⅞	19	Advo Inc			18	762	25⅞	24⅞	24⅞	
111⅞	44⅞	Aegon x	0.76	1.0	34	1346	78⅞	74¼	74⅞	-3⅛
14⅞	8½	Aerfir				216	9⅞	9	9	
72¼	31¼	Aero-Y	0.88	2.8	6	3459	32⅞	d30⅞	31⅞	
58	23	AES Corp			28	5302	31⅞	29⅞	29⅞	-1⅞
89⅞	60⅞	Aetna	0.80	1.1	14	9544	71	70⅞	70⅞	
38¼	24⅞	AffCom			31	1083	35⅞	35⅞	36⅞	
38¼	22⅞	Aflac	0.28	0.8	18	3475	31⅞	30⅞	31⅞	
30⅞	8	AGCO	0.04	0.5	3	1959	8¼	8⅞	8⅞	
22⅞	17⅞	AGL Res	1.08	5.6	16	1578	19⅞	18⅞	19⅞	+½
83⅞	49½	Ahmnsn	0.88	1.4	14	8195	63⅞	61⅞	61⅞	
45⅞	30½	AirPrC	0.68	2.1	13	3328	33⅞	32⅞	32⅞	
42⅞	17	Airbne Fct	0.16	0.9	8	6264	19	18⅞	18⅞	
18⅞	11⅞	Airgas			21	1188	11⅞	11⅞	11⅞	
14⅞	12½	Airlease	1.64	12.7	11	76	13	12⅞	12⅞	
65⅞	40⅞	AirTch			59	17372	59½	58⅞	58	-1⅞
22⅞	15⅞	AK Steel	0.50	3.2	6	2312	15⅞	15½	15⅞	
62⅞	32⅞	Alaska Air			6	2877	38⅞	37¼	38⅞	

- C -

1998 High	Low	Stock	Div	Yld %	P/E	Vol 100s	High	Low	Close Quote	Ch'ge Prev. Close
42⅞	10⅞	CANTV	1.56	12.7	4	3657	12⅞	11⅞	12⅞	+1⅛
47⅞	38¼	CMS En	1.32	3.1	14	2535	42⅞	41⅞	42¼	
53⅞	35⅞	CNA Fin			7	539	40⅞	39⅞	40⅞	
49⅞	30⅞	CNF Trans	0.40	1.2	13	822	35	34	34⅞	
37⅞	18⅞	CPI Corp	0.56	2.5	17	215	22⅞	21½	22⅞	+1⅞
69¼	36½	CSX	1.20	3.0	13	5796	41⅞	39⅞	40⅞	
38	28⅞	CTS Corp	0.24	0.8	18	126	29½	29¼	29⅞	
42⅞	23⅞	CabletWire	0.60	2.2	18	455	27⅞	27⅞	27⅞	
17⅞	6⅞	Cabrm				10778	10⅞	9⅞	10⅞	
39⅞	21⅞	CabotC	0.44	1.8	14	1264	23⅞	23¼	23⅞	
24	12⅞	Cabot O&G	0.16	1.0	22	292	16⅞	16⅞	16⅞	
64⅞	40⅞	CadSchwps x	1.19	2.1	24	527	56½	55⅞	55⅞	-7⅞
39	20	CadenceDsgn			30	9710	23⅞	22⅞	22⅞	
11⅞	5	Cal Real E	0.10	2.0		324	5⅞	d4⅞	5	
34¼	22½	Calenergy			16	2545	24⅞	24⅞	24⅞	
13⅞	5⅞	Calgon Cbn x	0.32	5.0	15	2202	6⅞	6⅞	6⅞	
33⅞	9⅞	Calwayair	0.28	2.5	8	3659	11⅞	10⅞	11⅞	
29½	15⅞	Calmat Co x	0.40	2.4	25	408	18⅞	17	17	
60⅞	46⅞	CmpbS	0.84	1.6	33	10017	51⅞	50⅞	51	
		Cambi Rs			5	288				
31½	17⅞	CanPac	0.32	1.5	27	7778	22⅞	21⅞	22⅞	
129⅞	50⅞	CpOneF	0.32	0.3	29	4920	107⅞	104⅞	107	+3⅞
16	6½	Cpstd 1.26 x	1.26	15.9		308	8¼	7⅞	7⅞	
21⅞	2⅞	Capstd Mge	2.00			1759	3⅞	3⅞	3⅞	
102⅞	69⅞	CardHlth	0.15	0.2	42	4637	92⅞	91¼	92⅞	
22⅞	18⅞	CareyD	1.65	8.8	18	131	19	18⅞	18⅞	
53⅞	35⅞	CarlCo	0.64	1.7	14	629	38⅞	37⅞	38⅞	
33⅞	18⅞	Carolina			14	275	18¼	d17⅞	18	
42⅞	25⅞	CrnvlA	0.38	0.9	28	15792	32⅞	30⅞	32⅞	+1⅞
46¼	39⅞	CarP&L	1.94	4.3	18	5551	45⅞	45¼	45⅞	
58⅞	30	CparT	1.32	4.1	8	606	32⅞	32	32¼	
19¼	14⅞	CarterWal	0.24	1.6	24	878	15⅞	d14⅞	14⅞	
18⅞	12⅞	Cascade	0.40	3.1	7	112	13⅞	d12½	13⅞	
18⅞	14⅞	Cascde N G	0.96	6.0	20	64	15⅞	15⅞	15⅞	
71⅞	21⅞	CaseCp	0.20	0.9	4	8458	23½	21⅞	22⅞	+1
20⅞	10⅞	Cash Amer	0.05	0.5	16	2226	11¼	10¼	10⅞	
21⅞	14⅞	CastleAC			78	384	15⅞	15¼	15⅞	
60¼	42	Catpr	1.20	3.0	8	32873	43⅞	d39½	40⅞	-2⅞

- E -

1998 High	Low	Stock	Div	Yld %	P/E	Vol 100s	High	Low	Close Quote	Ch'ge Prev. Close
3⅞	1⅞	ECC Intl			15	1⅞	1⅞	1⅞		
33¼	18⅞	EG&G	0.56	2.6	9	2805	22⅞	21⅞	21⅞	
35⅞	20⅞	Eastgrp	0.16	0.5	29	1517	30½	29¼	30½	+1⅞
27⅞	23⅞	East Utls	1.66	6.4	13	227	26⅞	25⅞	26⅞	
45⅞	37⅞	E Enterpr x	1.64	3.9	16	894	42⅞	40⅞	42⅞	+1⅞
72⅞	49	EastCh x	1.76	3.5	13	1566	52⅞	49⅞	50⅞	
88⅞	57⅞	EKodak x	1.76	2.1		13012	85¼	84	85	+1
98⅞	57½	Eaton	1.76	2.8	10	3323	62⅞	61⅞	61⅞	
33	20⅞	Ecolab x	0.38	1.3	22	2917	28⅞	28⅞	28⅞	
31	25⅞	Edison	1.04	3.9	14	10087	27½	26⅞	27	
49⅞	27⅞	EdwdAG x	0.58	1.8	10	2051	31⅞	30½	31⅞	
8⅞	5⅞	Ekco Group			18	183	5⅞	5⅞	5⅞	
76⅞	48⅞	Elan ADR				1841	63⅞	62¼	63	

- X - Y - Z -

1998 High	Low	Stock	Div	Yld %	P/E	Vol 100s	High	Low	Close Quote	Ch'ge Prev. Close
119½	65⅞	Xerox x	1.44	1.7	70	25704	85⅞	81⅞	83⅞	-2⅞
69⅞	45½	Xtra Corp			14	441	52⅞	51⅞	51⅞	
28⅞	22⅞	Yankee Egy x	1.38	6.7	19	100	24¼	24⅞	24⅞	
52⅞	33⅞	York Int	0.48	1.4	29	2627	35¼	33⅞	34½	
24⅞	8⅞	Zenith	0.28	2.7	3	480	10⅞	10⅞	10¼	
39½	23⅞	Zenith Nat	1.00	3.9	16	89	25⅞	25½	25⅞	+½
8⅞	5⅞	Zeitex Inc x	0.70	10.8		83	6⅞	6⅞	6⅞	
14⅞	8⅞	ZweigFd	1.24	11.7		286	10⅞	10⅞	10⅞	
9⅞	8⅞	Zweig Tot x	0.84	10.0		494	8½	8⅞	8⅞	

Price data supplied by Extel, part of FT Information.

Yearly highs and lows for NYSE reflect the period from Jan 1 1998. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Volume figures are unofficial.

d-new yearly low. P/E price-earnings ratio. vol- volume. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.
Dealings suspended.

صكنا من الاجل

GLOBAL EQUITY MARKETS

US INDICES

Dow Jones	Sep 18	Sep 17	Sep 16	1998 High	1998 Low	Since compilation High	Since compilation Low
Industrials	7895.59	7873.77	8089.78	9337.97 (17/7)	7539.07 (31/8)	9337.97 (17/7/98)	41.22 (8/7/32)
Home Bonds	108.05	105.71	105.71	108.05 (18/9)	104.42 (11/6)	108.05 (18/9/98)	54.99 (1/10/81)
Transport	2814.57	2813.99	2884.13	3686.02 (16/4)	2616.75 (4/9)	3686.02 (16/4/98)	13.23 (8/7/32)
Utilities	293.98	292.49	293.86	295.40 (8/7)	262.66 (9/1)	295.40 (8/7/98)	10.53 (8/7/32)

DJ Ind. Day's high 8012.03 (8001.99) Low 7759.87 (7795.50) (Theoretical) Day's high 7939.57 (8079.15) Low 7827.94 (7854.49) (Actual)

Standard and Poors	Sep 18	Sep 17	Sep 16	1998 High	1998 Low	Since compilation High	Since compilation Low
Composite‡	1020.09	1018.87	1045.48	1186.75 (17/7)	927.69 (9/1)	1186.75 (17/7/98)	4.40 (1/6/32)
Industrials‡	1213.04	1209.22	1239.44	1380.48 (17/7)	1097.40 (9/1)	1380.48 (17/7/98)	3.52 (30/6/32)
Financial‡	110.76	111.76	115.72	147.89 (14/7)	102.28 (10/9)	147.89 (14/7/98)	7.13 (4/9/74)
Others							
NYSE Comp.	507.54	506.31	518.05	608.75 (17/7)	480.60 (31/8)	608.75 (17/7/98)	4.84 (25/4/42)
Amex Comp	627.16	621.25	628.13	753.67 (22/4)	565.07 (31/8)	753.67 (22/4/98)	524.20 (16/7/86)
NASDAQ Cmp	1663.77	1646.25	1699.91	2014.25 (20/7)	1499.22 (31/8)	2014.25 (20/7/98)	54.87 (3/10/74)
Russell 2000	363.26	355.29	359.85	491.41 (21/4)	337.95 (31/8)	491.41 (21/4/98)	123.30 (7/12/93)

RATIOS

	Sep 11	Sep 4	Aug 28	Year ago
Dow Jones Ind. Div. Yield	1.81	1.95	1.84	1.69
	Sep 16	Sep 9	Sep 2	Year ago
S & P Ind. Div. yield	1.40	1.43	1.47	1.50
S & P Ind. P/E ratio	30.41	29.54	28.84	25.37

US DATA

MARKET ACTIVITY

[illegible]

NYSE TRADING ACTIVITY

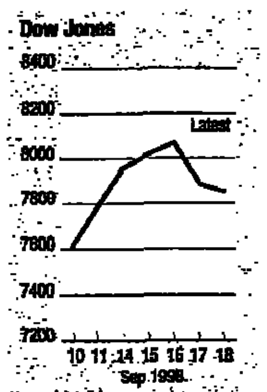
ACTIVE STOCKS / BIGGEST MOVERS

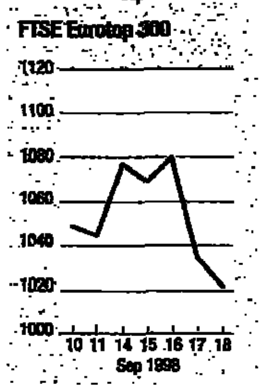
[illegible]

NASDAQ TRADING ACTIVITY

ACTIVE STOCKS / BIGGEST MOVERS

[illegible]





JAPAN

	Sep 18	Sep 17	Sep 16	1998 High	1998 Low	Since compilation High	Since compilation Low
Nikkei 225	13983.72	13859.14	14197.70	17264.34	13859.14	38915.9	85.25

Day's high: 14006.09. Day's low: 13697.75.

TOKYO TRADING ACTIVITY — Volume : 453,000,000

ACTIVE STOCKS Friday	Stocks traded	Close price	Day's change
LgTmCr	47,479,000	19	–3
NpStl	12,331,000	199	+1
Sakura	9,069,000	250	+3
Nomura	8,912,000	1110	–41
AsahiBk	8,083,000	410	–9
FujiBk	6,884,000	365	+13
Hitachi	6,427,000	656	–14
TokDpt	6,311,000	98	–7
MtTrB	5,486,000	162	+4
MatsEl	5,349,000	1920	–88

BIGGEST MOVERS Friday	Close price	Day's change	Day's chge %
Ups			
TmCrp	200	+20	+11.1
Chyoda	152	+15	+10.9
Tsgsml	133	+12	+9.9
Uniden	91	+8	+9.6
Downs			
LgTmCr	19	–3	–13.6
Ancan	900	–90	–9.1
FuBym	308	–27	–8.1
Omron	1274	–91	–6.7

FRANCE

	Sep 18	Sep 17	Sep 16	1998 High	1998 Low	Since compilation High	Since compilation Low
CAC 40	3465.22	3525.26	3729.32	4388.48	2862.54	4388.48	964.81

Day's high: 3508.63. Day's low: 3438.56.

PARIS TRADING ACTIVITY — Volume : 824,251,280

ACTIVE STOCKS Friday	Stocks traded	Close price	Day's change
Alctel	11,909,850	556	–18
FrTele	2,402,747	430	+5
RhonPA	1,304,012	228	–7.1
Sofa	1,208,156	322	+8
Usinor	1,081,600	58.25	
Schndr	1,005,985	275.1	–12.9
TotalB	825,042	674	–12
MchlnB	784,918	224	–20.9
Renault	747,741	258.8	+13.8
ElfAqu	720,269	691	–21

BIGGEST MOVERS Friday	Close price	Day's change	Day's chge %
Ups			
SAT	2437	+230	+10.7
Alstom	118	+8	+7.3
GrdVsn	118.5	+6.5	+5.8
Renault	258.8	+13.8	+5.5
Downs			
Accor	1135	–180	–13.7
Valeo	404	–41	–9.2
CGIP	2320	–230	–9.0
CapGem	741	–72	–8.9

GERMANY

	Sep 18	Sep 17	Sep 16	1998 High	1998 Low	Since compilation High	Since compilation Low
DAX	4588.58	4689.51	4857.97	6171.43	4087.28	6171.43	931.18

Day's high: 4789.91 Day's low: 4554.38.

FRANKFURT TRADING ACTIVITY — Volume : 18,190,426

ACTIVE STOCKS / BIGGEST MOVERS

[illegible]

UK

	Sep 18	Sep 17	Sep 16	1998 High	1998 Low	Since compilation High	Since compilation Low
FTSE 100	5055.8	5132.9	5291.7	6179.00	5055.60	6179	986.9

Day's high: 5152.2 Day's low: 5034.7.

LONDON TRADING ACTIVITY — Volume : 1,158,400,000

ACTIVE STOCKS / BIGGEST MOVERS

[illegible]

INDEX FUTURES

S&P 500	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	1028.80	1031.00	+1.50	1038.00	1021.00	[illegible]	[illegible]
Mar	1034.00	1040.50	+1.70	1042.00	1031.80	[illegible]	[illegible]

Nikkei 225	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	13680.0	13850.0	+150.0	13960.0	13600.0	[illegible]	[illegible]
Mar	–	13890.0	–	–	–	[illegible]	[illegible]

CAC-40, DAX, OMX, SOFFEX: [illegible]

Open interest figures for previous day.

WORLD MARKETS AT A GLANCE

[illegible]

THE NASDAQ STOCK MARKET

4 pm close September 18

[illegible]

THE NASDAQ STOCK MARKET

[illegible]

AMEX PRICES

4 pm close September 18

[illegible]

EASDAQ

[illegible]

FT GUIDE TO THE WEEK

MONDAY 21

Progress reports

The United Nations committee on the rights of the child begins a three-week session in Geneva to examine states' compliance with the UN convention on children's rights. The 1989 convention has 191 members, more than any other human rights convention, with only the US and Somalia failing to ratify. The five countries whose reports will be examined this session are Ecuador, Iraq, Bolivia, Kuwait and Thailand.

EU-ACP discussions

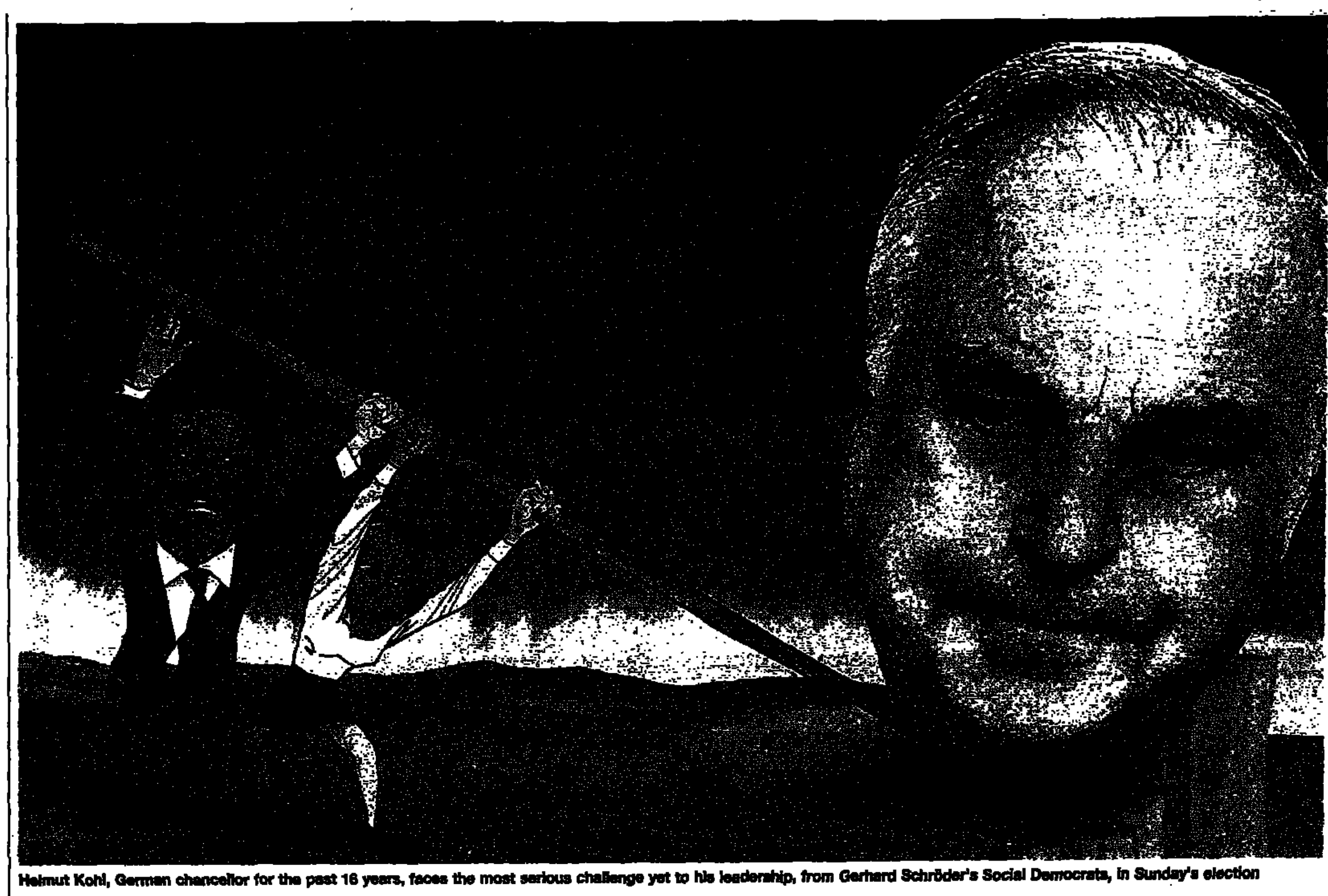
The European Parliament and African, Caribbean and Pacific countries hold a joint assembly in Brussels which will discuss subjects including fisheries, the effects of the single currency, debt, education and training, health, environment and biodiversity, biotechnology and post-conflict rehabilitation.

UN reassembly

The United Nations General Assembly is scheduled to start its general debate, in which foreign ministers and other senior officials deliver policy statements.

Holidays

Armenia, Malta, Israel.



Helmut Kohl, German chancellor for the past 16 years, faces the most serious challenge yet to his leadership, from Gerhard Schröder's Social Democrats, in Sunday's election

TUESDAY 22

IT jobs gap

High unemployment is one of Europe's biggest problems, yet tens of thousands of jobs in the information technology sector remain unfilled because of a shortage of skilled workers. Dr Martin Bangemann, European commissioner for IT and

Padraig Flynn, employment commissioner, address the problem in a meeting hosted by Microsoft in Brussels with 200 senior representatives of IT companies, national governments, think tanks and academics.

Obuchi meets Clinton

Keizo Obuchi, Japan's prime minister, meets Bill Clinton, the US president, in New York. The two will exchange views on Japan's economic revitalisation policy, the international economic situation, and Japan-US security ties. Mr Obuchi will be able to brief Mr Clinton on Japan's recent progress towards a final agreement over a set of banking bills to stabilise its financial industry.

Trade disputes

The dispute settlement body of the World Trade Organisation meets in Geneva. Among high-profile disputes on the agenda are requests by Japan and the European Union for a panel to investigate sanctions imposed by the US state of Massachusetts on companies doing business with Burma. The US and five Latin American banana producers also want a panel to examine EU proposals for reforming its banana import regime.

Church birthday

The Geneva-based World Council of Churches celebrates its 50th anniversary. Participants in the official ceremony, whose theme is "Justice and human rights in the 21st century", include Swiss president Flavio Cotti, Sadako Ogata, UN High Commissioner for Refugees, and Archbishop Desmond Tutu of South Africa.

Fixed income facts

Paul Mortimer-Lee, chief economist of Paribas Capital Markets and David Levey, managing director and co-head of the Sovereign Risk Unit at Moody's Investors Service are among speakers at a two-day London conference on international fixed income markets. Contact: 0171 915 5103.

FT Survey

Ireland.

Holiday

Israel.

WEDNESDAY 23

Talking business

The International Chamber of Commerce holds a two-day meeting in Geneva at which business executives and heads of international organisations will discuss the management of globalisation in the light of the financial crisis and fears of world recession. The meeting, termed the Geneva Business Dialogue, stems from a call by UN secretary-general Kofi Annan for a closer partnership between the UN system and the private sector.

FT Surveys

FT Exporter (UK and European editions only); Office for the Future.

Holiday

Japan.

THURSDAY 24

Jobs crisis

The International Labour Organisation publishes its latest World Employment Report. The ILO says economic growth since 1996 has failed to make a dent in joblessness, while the crisis in east Asia has thrown millions more out of work. The ILO emphasises the importance of training in helping vulnerable groups including the young, unskilled workers, disabled people and women.

FSA explains itself

Britain's Financial Services Authority, which under new legislation will take over the work of nine existing financial sector regulators, holds a conference to explain to the financial services industry how it intends to fulfil its statutory objectives covering market confidence, consumer awareness and protection, and the reduction of financial crime. FSA chairman Howard Davies and Stephen Byers, chief secretary to the Treasury, are among speakers at the conference. Contact 01483 720 707.

WTO plans ahead

The World Trade Organisation in Geneva holds a special general council meeting to begin preparations for its next ministerial meeting in 1999 which will launch new global trade talks. The ministerial meeting, to be held late next year in the US, will have to decide whether to add more topics to the already programmed talks on agriculture and services, and whether to have a single "round" or more staggered negotiations. Today's general council meeting will also discuss a WTO work programme on electronic commerce over the coming year.

Holidays

South Africa, Spain.

FRIDAY 25

Slovaks go to vote

Slovaks go to the polls today and tomorrow in an election that could see the first defeat of prime minister Vladimir Meciar since the fall of communism in 1989. The last opinion poll gave the combined opposition, which has agreed to co-operate, around 60 per cent of the vote against 34 per cent for the governing coalition. Opposition parties have complained of bias on the state-run TV and radio stations and have also said they will run their own election count to ensure there is no fraud.

Financial problems

World financial problems will dominate discussions when European Union finance ministers gather in Vienna for a two-day "informal" meeting. Rudolf Edlinger, finance minister of Austria, holder of the rotating EU presidency, will update ministers on developments in Russia following a planned visit there during the week.

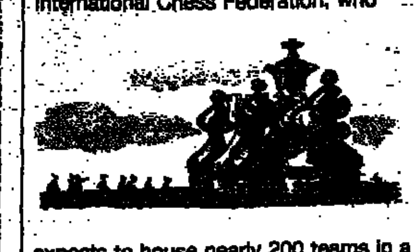
FT Survey

Brazilian Finance and Investment.

SATURDAY 26

Chess in a mess

The controversial 33rd World Chess Olympiad for men's and women's teams opens at Elista, capital of Kalmykia, a semi-autonomous Russian republic near the Caspian Sea. It is the brainchild of Kirsan Ilyumzhinov, president of both Kalmykia and of the International Chess Federation, who



expects to house nearly 200 teams in a specially constructed Chess City until the tournament ends on October 13. The murder of a journalist, reports that Chess City is only partly built and the republic's dispute with Moscow over unpaid taxes have tarnished the event's credibility, and several grandmasters have withdrawn.

Holiday

Malta.

SUNDAY 27

Kohl's crossroads

Germany votes to decide its government for the next four years. After 16 years as chancellor, Helmut Kohl is fighting for re-election against a strong challenge from Gerhard Schröder, the Social Democratic candidate. Opinion polls have put Mr Schröder ahead but in Bavaria's state elections earlier this month pre-poll projections proved inaccurate. Mr Schröder has paid tribute to Mr Kohl's past achievements, but says the chancellor has been in office too long. Germany's electoral system, however, means Mr Schröder would almost certainly have to form a coalition, with the environmental Green party – or even with Mr Kohl's Christian Democrats. Mr Kohl's fate could be decided by the results of other small parties besides the Greens.

Party problems

The leadership of Britain's Labour party could face a setback at the start of its annual conference in Blackpool if, as feared, a number of leftwing candidates win places on the ruling national executive committee. The leadership is also likely to face a rough ride over the government's handling of the economy and electoral reform. But changes to the conference procedures should limit public rows.

Compiled by Roger Beale
Fax 44 171 873 3196

ECONOMIC DIARY

Other economic news

Monday: Japan's trade figures for August should continue to show modest export growth, as strong demand from Europe offsets the drop in shipments to Asia. The trade surplus is expected to decline, but the surplus remains high.
Tuesday: The French trade surplus for July is likely to fall to around FFr14bn – after June's FFr15bn surplus – taking it into line with the average surplus for the last six months.
Thursday: The UK's national accounts are rebased from 1990 to 1995 prices for the first time, with the publication of the final estimate of second quarter GDP. The European System of Accounting is also being adopted. The new accounts entail wide-scale changes to the definition of many data series.
Friday: US personal consumption and income figures for August are published, with weaker August retail sales suggesting that consumption may be slightly weaker. But annual growth in incomes and consumption is expected to be around 5 per cent.

Statistics to be released this week

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
Mon	Italy	Q2 gross domestic product**	0.7%	-0.1%
Sep 21	Italy	Q2 gross domestic product**	1.3%	2.5%
	Canada	Jul retail sales†*	0.6%	-1.7%
Tues	Japan	Jul coincident index	10.0%	30.0%
Sep 22	Japan	Jul leading differential index	50.0%	30.0%
	France	Jul trade balance†	FFr14bn	FFr15.0bn
Wed	Canada	Jul internal securities transactions	-C$1.0bn	C$0.4bn
Sep 23	Canada	Aug leading indicators†*	0.2%	0.3%
Thur	France	Jul household consumption†*	2.8%	0.2%
Sep 24	France	Aug household consumption†*	-1.9%	N/A
	UK	Q2 final gross domestic product***	0.5%	0.5%
	UK	Q2 final gross domestic product**	2.6%	2.6%
	UK	Q2 current account	-£2bn	-£3.2bn
	UK	Sep CBI industrial trends		N/A
	US	Q2 gross domestic product final	1.6%	1.6%
	US	Q2 gross dom' prod' chain price index		0.8%
	US	Initial claims Sep 19	305k	299k
	US	State benefits Sep 12		2203k
	US	Q2 after tax corporate profit final		0.3%
	US	Aug durable orders	0.1%	2.4%
	US	Aug durable shipments		-0.2%
	US	Aug treasury budget	-$17.0bn	-$24.1bn
	US	M1 week ended Sep 14	-$3.8bn	-$13.5bn
	US	M2 week ended Sep 14	$6.7bn	$23.7bn
	US	M3 week ended Sep 14	$6.1bn	$38.2bn

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
Fri	Japan	Sep consumer price index** (Tokyo)	-0.3%	0.0%
Sep 25	Japan	Sep cons' price index ex-perishables**	-0.3%	0.1%
	Japan	Aug consumer price index** (nation)	0.0%	-0.1%
	Japan	Aug cons' price index ex-perishables**	0.0%	-0.1%
	France	Aug consumer price index final*	0.2%	-0.4%
	France	Aug consumer price index final**	0.7%	0.8%
	Italy	Jul unemployment rate	11.8%	12.5%
	UK	Aug EU harmonised cons' price index		1.5%
	US	Aug personal income	0.5%	N/A
	US	Aug personal consumer expenditure	0.5%	N/A
	US	Aug existing home sales	4.85m	4.83m
During the week...				
	Germany	Aug producer price index*	-0.1%	-0.2%
	Germany	Aug producer price index**	-0.7%	-0.4%
	Russia	Aug consumer price index**	21.1%	4.2%
	Germany	Sep Hesse cost of living**		0.9%
	Germany	Sep Nord Rhine West'a cost of living**		0.6%
	Germany	Sep Bavaria cost of living**		0.8%
	Germany	Sep Baden Wuert cost of living**		0.6%
	Germany	Aug import prices*	-0.4%	-0.4%
	Germany	Aug import prices**	-4.4%	-3.3%
	Japan	Sep trade balance (first 10 days no'd)		Y205bn
	Germany	Sep prel' cost of living* west	-0.2%	-0.1%
	Germany	Sep prel' cost of living** west	0.8%	0.7%

*month on month, **year on year, ***qtr on qtr, †seasonally adjusted. Statistics, Standard & Poor's MMS.

MONDAY PRIZE CROSSWORD

No.9,792 Set by GRIFFIN

A prize of a Tombow Lucca fountain pen and rollerball set, worth £125, will be awarded for the first correct solution opened. Solutions by Thursday October 1, marked Monday Crossword 9,792 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 9HL. Solution on Monday October 5. Please allow 28 days for delivery of prizes.

Name....................

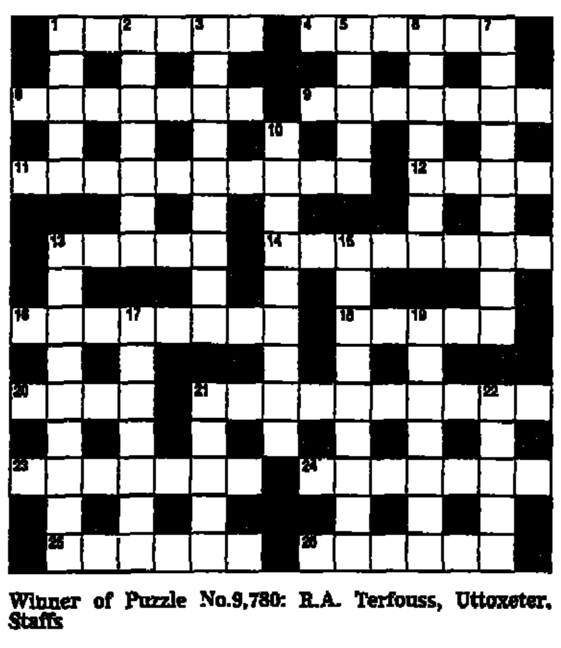
Address....................

ACROSS

1, 4 It took a lot of capital in 1666 (4,2,6)
8 In script I'd even mentioned turbulent water (7)
9 Is to take dead duck into quarantine (7)
11 Yet hissing contraption should ensure cleanliness (10)
12 Working with newspaper round water container (4)
13 George wants a popular cereal (5)
14 Fail to notice finished appearance (8)
16 Next time Jack takes a little US money (8)
18 Brute mashing potato, for instance? (5)
20 Besides, has died during the commotion (2-2)
21 Call on nine cooks to make something to eat (10)
23 Cleaner takes home about £1,000, causing annoyance (7)
24 Prisoner only after comfort (7)
25 Girl following sailor coming back sooner (6)
26 Something left in clay mixture, for example (6)

DOWN

1, 13 Pretty student omitted to sponsor pantomime character (5,9)
2 Picking up ruler stain dress with wine (7)
3 Regulation for weapons I introduced (9)
5 Is after love when with a group of singers (5)
6 Blue party fell out about union leader (7)
7, 22 There's none you'll try on, perhaps? No way! (3,2,4,5)
10 Guarding car in top garage (9)
13 See 1 down
15 Steak is part of meal eaten out of bed! (9)
17 Surrounded by anxiety takes a little time (7)
19 Label is half hidden in a sort of beacon (7)
21 Top Californian fruit region (5)
22 See 7 down



Winner of Puzzle No.9,780: B.A. Terfouss, Uttoxeter, Staffs

Solution 9,780

PUSHER SEASCAPE
A P N Y E L N
SEANCE REARMING
S G O S S E B A
ADHERENT ENDING
G E E E G A E
EATS SECONDHAND
T S R U E R
FAINTHEART ABUT
R A D I B I O
EASELS TENANTED
S C L A R N R D
CARRIAGE SQUALL
O U O E U T E
SAMENESS POSEUR

JOTTER PAD